

**CITY OF LOUDON, TENNESSEE**

**ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2015

**CITY OF LOUDON, TENNESSEE**  
**ANNUAL FINANCIAL REPORT**  
For the Fiscal Year Ended June 30, 2015

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**CITY OF LOUDON, TENNESSEE**

SECTION ONE  
INTRODUCTORY SECTION

June 30, 2015



CITY OF LOUDON  
CITY HALL  
P.O. BOX 189  
LOUDON, TENNESSEE 37774

February 26, 2016

Honorable Mayor  
City Council and City Manager  
City of Loudon, Tennessee  
Loudon, Tennessee

The financial statements of the City of Loudon, Tennessee for the fiscal year ended June 30, 2015, are submitted for your review. Responsibility for the accuracy and completeness of the presented data, including all disclosures, rests with the City. To the best of our knowledge and belief, this report is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

This report is presented in four sections: 1) the **Introductory Section** which includes this transmittal letter; 2) the **Financial Section** which includes the independent auditors' report, management's discussion and analysis (MD&A), the basic financial statements, required supplementary information and the combined financial statements; and 3) the **Miscellaneous Supplementary Information Section** which includes selected financial and demographic information, generally presented on a multi-year basis.

These financial statements represent management's report to its governing body, constituents, legislative and oversight bodies, investors and creditors. Copies of this report will be sent to elected officials, City management personnel, bond rating agencies, and other agencies that have expressed an interest in the City of Loudon, Tennessee's financial matters. Copies of this financial report will also be placed in the Loudon Municipal Building for use by the general public.

This report includes all funds (financial activities) of the City. The City provides a full range of municipal services including police and fire protection, water, gas and electric, sewer and refuse services, development services, municipal courts, education, recreational and cultural activities, streets, traffic control, and general administrative services.

## **PROFILE OF THE GOVERNMENT**

The City of Loudon is a unique and culturally diverse community with a population of 5,381 in the 2010 census. It was incorporated as an entity under Chapter 229, Private Acts of Tennessee for 1927, as amended, which became the charter of the City. The City is governed by a Mayor, City Manager and City Council.

The City of Loudon is a full-service city. It is responsible for public safety, with services provided by the Loudon Police and Fire Departments. The combined Water and Sewer Divisions of the Public Works Department provides water and wastewater services for approximately 2,200 customers. The Loudon Electric Department services a great portion of Loudon County, with approximately 10,000 electric customers.

## **PROFILE OF THE GOVERNMENT (Continued)**

The City of Loudon is a benchmark community. Its citizens are safe, well served, and proud of their neighborhoods. Comprehensive services are provided to citizens and customers using the latest available methods and technology. Employees are professional and effective. A superior quality of life is emphasized.

## **FACTORS AFFECTING FINANCIAL CONDITION**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Loudon operates.

**Local Economy.** Loudon County currently enjoys a favorable economic environment and local indicators point to continued stability. The region has a varied manufacturing and industrial base that adds to the relative stability of the unemployment rate. Major industries and real estate developments with headquarters or divisions located within the City's boundaries include Kimberly-Clark, American Honda Motor, Maremont Corp., Viskase Corp., Monterey Mushrooms, LLC, Tate and Lyle Ingredients, Dupont Tate and Lyle, Tennessee National, LLC, and ASTEC.

**Long-term Financial Planning.** The City of Loudon is facing opportunities unparalleled in its history. Items that will be addressed, as needed in the future, will be the construction of a new water-treatment plant, water improvements, and electrical improvements. Loudon citizens should be proud of the foresight and work to-date of the City Council, City Officials, and City Employees. The planning accomplishments will benefit the City for years to come.

**Internal Control.** The management of the City of Loudon is responsible for establishing and maintaining a system of internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and that adequate accounting data are compiled to allow for the preparation of the basic financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management.

**Budgetary Controls.** The City also maintains budgetary controls which are designed to ensure compliance with budgetary and legal provisions embodied in the annually appropriated operating budget approved by the City Council. Activities of the General Fund, Special Revenue Funds, General Obligation Debt Service Fund, and Proprietary Funds are included in the annually appropriated operating budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is the total operating budget, as adopted by the City Council. However, for budget administrative purposes, the City maintains budgeting controls at department appropriation levels. In addition to maintaining budgetary control via a formal appropriation, the City maintains an encumbrance accounting system. Encumbrances are made against appropriations upon the issuance of a purchase order. Encumbered appropriations are carried forward at the end of each fiscal year. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

**Single Audit.** As a recipient of federal and state financial assistance, the City is also responsible for an adequate system of internal control structure to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management of the City.

As a part of the City's single audit, performed in accordance with the Single Audit Act of 1996 and the U. S. Office of Management and Budget Circular A-133, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations.

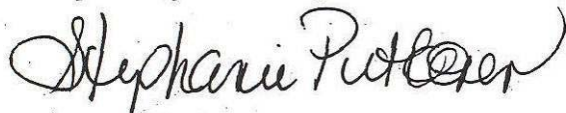
**Cash Management.** The City's investment policy is to invest pooled cash in a manner which will provide maximum security with the highest investment return while meeting the daily cash flow demands of the City and conforming to all applicable State and City statutes governing the investment of public funds. The City is permitted to invest in obligations of the U. S. Government or any of its agencies and instrumentalities, certificates of deposit, bankers' acceptances, commercial paper, repurchase agreements and the State of Tennessee Local Government Investment Pool.

### **OTHER INFORMATION**

**Independent Audit.** City Charter requires an annual audit by independent certified public accountants. Through a Request for Proposal process, the accounting firm of Ingram, Overholt & Bean, PC has been selected by the City Council. The auditors' report on the financial statements is included in the financial section of this report.

**Acknowledgment.** The preparation of this report could not have been accomplished without the dedicated service of the entire staff of the Accounting Division, the assistance of administrative personnel in the various departments, and the competent service of our independent auditors. To them and to the City Council and City Manager for their support and interest in improving Loudon's fiscal policies and practices, I express my sincere appreciation.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Stephanie Putkonen', written in a cursive style.

Stephanie Putkonen  
City Recorder



**CITY OF LOUDON, TENNESSEE**  
**LIST OF PRINCIPAL OFFICIALS**  
June 30, 2015

**Mayor**  
Jim Greenway

**Vice Mayor**  
Lynn Millsaps

**Council Members:**  
Jeff Harris  
Johnny James  
Dennis Stewart

**City Manager and Utilities Manager**  
Lynn Mills

**City Judge**  
Roger Delp

**City Recorder - Treasurer**  
Stephanie Putkonen

**Utilities Board of Directors**  
John Hutton, Chairman  
Don P. Campbell, Vice Chairman  
Gene Farmer  
Johnny James  
Eugene Lambert

**CITY OF LOUDON, TENNESSEE**

SECTION TWO  
FINANCIAL SECTION

JUNE 30, 2015



Joe S. Ingram, CPA (1948 – 2011)  
Lonas D. Overholt, CPA  
Robert L. Bean, CPA

428 Marilyn Lane  
Alcoa, Tennessee 37701

Telephone  
865-984-1040  
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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and  
City Council and City Manager  
City of Loudon  
Loudon, Tennessee

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the City of Loudon, Tennessee (the City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of City of Loudon, as of June 30, 2015, and the respective changes in financial position, cash flows, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pages 7 through 14, and required supplementary information on pages 61 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Loudon, Tennessee's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, other supplementary information, and miscellaneous supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other supplementary information, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, other supplementary information, statistical schedules, and miscellaneous schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

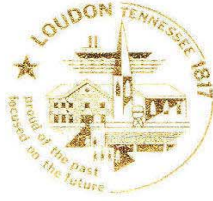
The introductory section and miscellaneous supplementary information section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2016, on our consideration of the City of Loudon, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Loudon, Tennessee's internal control over financial reporting and compliance.

*Ingram, Overholt & Bean, PC*

Alcoa, Tennessee  
February 26, 2016



CITY OF LOUDON  
CITY HALL  
P.O. BOX 189  
LOUDON, TENNESSEE 37774

## MANAGEMENT'S DISCUSSION AND ANALYSIS

February 26, 2016

This section of the City of Loudon's (the City) Annual Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. Readers are encouraged to consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal.

### FINANCIAL HIGHLIGHTS

- ◆ The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$113 million (net position). Of this amount, \$33.7 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ At June 30, 2015, the City's governmental funds reported combined ending fund balances of \$5.629 million. Approximately 41.5% of this total amount (\$2.34 million) is unassigned fund balance available for spending at the government's discretion.
- ◆ At June 30, 2015, total unassigned fund balance for the general fund was \$2.34 million, which is 36% of total general fund expenditures of \$6.48 million.
- ◆ At June 30, 2015 the City's proprietary funds reported combined total net position of \$95.52 million, and total unrestricted net position of \$28.9 million.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, and (3) **Notes** to the financial statements. This report also contains **other supplementary information** in addition to the basic financial statements themselves.

(Continued)

## **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The **statement of net position** presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

The **statement of activities** presents information showing how the City's net position changed during the current fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of the government-wide statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include police, fire, community services, recreation, public works, community relations, mayor and council, city manager, recorder, municipal court, development services, economic development, financial services, human resources, and information technology. The business-type activities of the City include water and sewer utility, electric utility, and gas.

## **Fund Financial Statements**

The fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following two categories: **governmental** funds and **proprietary** funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in governmental funds. These statements, however, focus on near term inflows and outflows of spendable resources and spendable resources available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

(Continued)

The City maintains several individual governmental funds organized according to their type (special revenue and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for the general and special revenue funds. Budgetary comparison statements have been provided in the basic financial statements for the general fund to demonstrate compliance with the budget. These statements for the non-major special revenue funds are included in Other Supplementary Information.

**Proprietary funds.** Proprietary funds are generally used to account for services for which the City charges customers – either outside customers, or departments of the City. Proprietary funds provide the same type of information shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds:

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer Utility, Electric Utility, and Gas operations. All enterprise funds are considered to be major funds of the City.
- **Internal Service funds** are used to report activities that provide supplies and services for certain City programs and activities. The City uses internal service funds to account for its medical benefits, employee benefits and maintenance programs. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

### **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **Combining Statements**

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the notes to the financial statements.

(Continued)

# GOVERNMENT-WIDE STATEMENTS FINANCIAL ANALYSIS

## Net Position June 30, 2015 and 2014

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u> <u>2015</u>	<u>2014</u>
Current and other assets	\$ 11,137,913	\$ 42,402,185	\$ 53,540,098	\$ 51,889,042
Capital assets, net of depreciation	18,477,599	94,479,555	112,957,154	107,671,948
Total Assets	29,615,512	136,881,740	166,497,252	159,560,990
Deferred Outflows of Resources	909,875	1,244,794	2,154,669	800,215
 <u>Liabilities</u>				
Long-term liabilities	6,111,083	27,478,309	33,589,392	33,371,381
Other liabilities	2,053,889	13,907,291	15,961,180	15,786,227
Total Liabilities	8,164,972	41,385,600	49,550,572	49,157,608
Deferred Inflows of Resources	4,734,028	1,220,534	5,954,562	4,521,775
 <u>Net Position</u>				
Net investment in capital assets	12,027,585	66,292,948	78,320,533	73,075,526
Business-type activities - restricted	-	321,373	321,373	-
Special Revenue - Restricted	262,095	-	262,095	311,530
Capital Projects - Restricted	485,126	-	485,126	560,547
Unrestricted	4,851,581	28,906,079	33,757,660	32,734,219
Total Net Position	\$ 17,626,387	\$ 95,520,400	\$ 113,146,787	\$ 106,681,822

### Analysis of Net Position

As noted earlier, net position may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$113 million at June 30, 2015.

The largest portion of the City's net position (69%) reflects its net investment of \$78 million in capital assets (e.g. land, buildings, infrastructure, improvements, machinery and equipment), less any related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion of the City's net position, \$1,068 million (.09%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$33 million (29%), may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for the government as a whole, as well as for the business-type activities.

(Continued)



## Analysis of Change in Net Position

The City's net position increased by \$6.46 million during the current fiscal year. These increases are explained in the government and business-type activities discussion below.

<b>Changes in Net Position June 30, 2015 and 2014</b>				
<u>Revenues</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>	
			<u>2015</u>	<u>2014</u>
Program Revenues:				
Charges for services	\$ 198,247	\$ 79,944,071	\$ 80,142,318	\$ 79,783,375
Operating grants and contributions	173,939	-	173,939	151,733
Capital grants and contributions	-	67,497	67,497	994,626
General Revenues:				
Sales taxes	1,651,895	-	1,651,895	1,671,255
State income taxes/excise taxes	114,126	-	114,126	37,161
Property taxes	3,667,870	-	3,667,870	3,427,255
Business taxes	108,468	-	108,468	100,582
Miscellaneous taxes	681,547	-	681,547	526,388
Unrestricted investment earnings	7,923	33,584	41,507	44,196
Other	<u>298,357</u>	<u>-</u>	<u>298,357</u>	<u>725,896</u>
Total Revenues	<u>6,902,372</u>	<u>80,045,152</u>	<u>86,947,524</u>	<u>87,462,467</u>
 <u>Expenses</u>				
General government	711,373	-	711,373	946,699
Public Safety	3,011,846	-	3,011,846	2,876,999
Highways and Streets	1,058,330	-	1,058,330	1,783,939
Recreation and health	932,162	-	932,162	871,469
Sanitation	452,418	-	452,418	471,167
Miscellaneous	304,725	-	304,725	730,996
Interest and bond sale expense	169,024	-	169,024	130,400
Water and Sewer	-	8,702,688	8,702,688	9,224,536
Electric	-	45,434,241	45,434,241	44,755,729
Gas	-	17,926,521	17,926,521	19,053,040
Total expenses	<u>6,639,878</u>	<u>72,063,450</u>	<u>78,703,328</u>	<u>80,844,974</u>
Increase (decrease) in net position before transfers	262,494	7,981,702	8,244,196	6,617,493
Transfers in lieu of taxes	<u>1,405,704</u>	<u>(1,405,704)</u>	<u>-</u>	<u>-</u>
Change in net position	1,668,198	6,575,998	8,244,196	6,617,493
Net Position at Beginning of Year - Restated for Pension – GASB 68 7-1-14	<u>15,958,189</u>	<u>88,944,402</u>	<u>104,902,591</u>	<u>100,064,329</u>
<b>Net Position at End of Year</b>	<b><u>\$ 17,626,387</u></b>	<b><u>\$ 95,520,400</u></b>	<b><u>\$ 113,146,787</u></b>	<b><u>\$ 106,681,822</u></b>

(Continued)

**Governmental activities.** Governmental activities increased the City's net position by \$1.668 million.

**Business-type activities.** Business-type activities increased the City's net position by \$8.21 million. The largest of the City's business-type activities, Electric, had expenses of \$45.43 million for the fiscal year, followed by Gas with \$17.92 million, and Water and Sewer with \$8.70 million.

## **FUND STATEMENTS FINANCIAL ANALYSIS**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, and Capital Project Funds.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5.62 million, an increase of \$90 thousand from the prior year. Approximately \$2.3 million of this total amount constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is restricted - \$747 thousand and assigned - \$2.49 million to indicate that it is not available for new spending because it has already been committed, (1) to liquidate existing contracts and purchase orders, (2) to pay debt service, and (3) for other restricted purposes.

Revenues for governmental functions overall totaled approximately \$6.89 million in the fiscal year ended June 30, 2015, which represents an increase of 7% from the fiscal year ended June 30, 2014. Expenditures for governmental functions, totaling \$9.05 million, increased by approximately 11% from the fiscal year ended June 30, 2014.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$2.3 million (the assigned portion equaled \$1,576,226), while total fund balance was \$3.92 million. As a measure of the General Fund's liquidity, it may be useful to compare both total unassigned, assigned fund balance and total fund balance to total fund expenditures. Total unassigned fund balance represents 36% total general fund expenditures of \$6.478 million, while total fund balance represents 60% of that same amount.

### **Proprietary funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the fiscal year, the unrestricted net position for the Water and Sewer Fund was \$2.87 million, the Electric Fund \$9.73 million and the Gas Fund \$16.30 million. The internal service funds, which are used to account for maintenance, employee benefits, and health insurance activities, had a current year balance of \$1.403 million. The total increase in net position for the proprietary funds was \$6.5 million.

(Continued)

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The City's capital assets for its governmental and business type activities as of June 30, 2015 amount to \$112.88 million (net of accumulated depreciation). Capital assets include land, buildings, infrastructure, improvements, machinery and equipment, and construction in progress. The table below reflects the capital assets at the end of the fiscal year:

#### Capital Assets, Net of Depreciation June 30, 2015 and 2014

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Totals</u> <u>2015</u>	<u>2014</u>
Land	\$ 2,075,991	\$ 2,230,489	\$ 4,306,480	\$ 4,306,480
Buildings	4,289,176	42,947,144	47,236,320	47,236,320
Infrastructure	41,002,778	-	41,002,778	39,668,886
Improvements	-	19,035,251	19,035,251	27,049,132
Electric Plant Distribution	-	41,605,127	41,605,127	30,422,936
Machinery, furniture and equipment	5,401,785	21,109,609	26,511,394	26,036,463
Construction in progress	<u>-</u>	<u>23,899,977</u>	<u>23,899,977</u>	<u>19,476,004</u>
Total Capital Assets	52,769,730	150,827,597	203,597,327	194,196,221
Less: Accumulated Depreciation	<u>(34,292,131)</u>	<u>(56,348,042)</u>	<u>(90,640,173)</u>	<u>(86,524,273)</u>
Capital Assets, net of depreciation	<u><b>\$ 18,477,599</b></u>	<u><b>\$ 94,479,555</b></u>	<u><b>\$ 112,957,154</b></u>	<u><b>\$ 107,671,948</b></u>

For government-wide financial statement presentation, all depreciable capital assets are depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. Please refer to the Notes to the Financial Statements for further information regarding capital assets.

### Debt Administration

At the end of the current fiscal year, the City had total long-term obligations outstanding of \$36,411,915 million. Of this amount, \$34,636,621 million are revenue bonds, general obligation bonds, and capital outlay notes backed by the full faith and credit of the City and the remainder is accrued compensated absences of \$1,775,294.

#### Outstanding Long-term Obligations June 30, 2015 and 2014

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Totals</u> <u>2015</u>	<u>2014</u>
General Obligation/Revenue Bonds	\$ 4,908,014	\$ 13,627,492	\$ 18,535,506	\$ 20,531,171
Notes payable	1,542,000	14,559,115	16,101,115	14,065,251
Compensated absences	747,798	1,027,496	1,775,294	1,798,672
Total long-term obligations	<u><b>\$ 7,197,812</b></u>	<u><b>\$ 29,214,103</b></u>	<u><b>\$ 36,411,915</b></u>	<u><b>\$ 36,395,094</b></u>

(Continued)

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, city commissioners, customers, investors, and creditors with a general overview of the City's finances. If you have any questions about this report or need additional information, contact:

City of Loudon, Tennessee  
City Manager  
City Hall Building  
Loudon, TN 37772

**CITY OF LOUDON, TENNESSEE**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**  
June 30, 2015

**CITY OF LOUDON, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**  
With Comparative Totals for June 30, 2014

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals 2015</b>	<b>2014</b>
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents:				
Cash and checking accounts	\$ 883,744	\$ 4,793,006	\$ 5,676,750	\$ 7,888,363
Temporary investments	6,715,521	24,206,349	30,921,870	27,790,718
Receivables (net of uncollectibles):				
Property Taxes	2,826,234	-	2,826,234	2,545,463
Sales taxes	262,640	-	262,640	267,169
Wholesale beer tax	41,910	-	41,910	41,195
Accounts	248	6,257,163	6,257,411	6,227,417
Rents	-	85,924	85,924	85,924
Other	228,058	1,735,432	1,963,490	1,770,615
Inventory	61,538	2,815,126	2,876,664	1,797,169
Investment in sales type lease	117,018	-	117,018	117,018
Prepaid items	1,002	10,380	11,382	9,650
Restricted Assets:				
Retainage	-	192,642	192,642	503,610
Paying agent accounts	-	2,975	2,975	472,701
Debt reserve funds	-	1,327,812	1,327,812	1,327,699
Construction account	-	491,383	491,383	437,651
Retirement escrow account	-	-	-	467,580
Long-term Assets:				
Aid-to-construction costs receivable	-	162,620	162,620	139,100
Net Pension Asset	-	321,373	321,373	-
Non-depreciable assets	2,075,991	26,130,466	28,206,457	4,306,480
Capital Assets, net of accumulated depreciation	<u>16,401,608</u>	<u>68,349,089</u>	<u>84,750,697</u>	<u>103,365,468</u>
<b>Total Assets</b>	<b><u>29,615,512</u></b>	<b><u>136,881,740</u></b>	<b><u>166,497,252</u></b>	<b><u>159,560,990</u></b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Deferred regulatory charges – bond issuance costs	-	230,738	230,738	244,375
Investment in sales type lease	438,822	-	438,822	555,840
Pension – GASB 68 (Notes 9 and 10)	<u>471,053</u>	<u>1,014,056</u>	<u>1,485,109</u>	<u>-</u>
<b>Total Deferred Outflows of Resources</b>	<b><u>909,875</u></b>	<b><u>1,244,794</u></b>	<b><u>2,154,669</u></b>	<b><u>800,215</u></b>
<b><u>LIABILITIES</u></b>				
Accounts payable	119,319	9,830,414	9,949,733	10,080,165
Other liabilities	232,983	471,204	704,187	637,591
Refundable customer advances for construction	-	27,112	27,112	27,195
Benefit claims payable	152,300	-	152,300	152,300
Accrued interest	-	206,494	206,494	183,352
OPEB Liability	36,081	1,213,026	1,249,107	1,077,554
Compensated Absences	235,861	375,780	611,641	604,357
Net Pension Liability	190,616	47,467	238,083	-
Long-term Liabilities:				
Due within one year	1,086,729	1,735,794	2,822,523	3,023,713
Due after more than one year	5,363,285	26,450,813	31,814,098	31,572,709
Compensated absences due after more than one year	<u>747,798</u>	<u>1,027,496</u>	<u>1,775,294</u>	<u>1,798,672</u>
<b>Total Liabilities</b>	<b><u>8,164,972</u></b>	<b><u>41,385,600</u></b>	<b><u>49,550,572</u></b>	<b><u>49,157,608</u></b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Deferred revenue – property taxes	3,507,542	-	3,507,542	3,226,772
Deferred income/bond premium	-	608,508	608,508	622,145
Deferred revenue – lease	555,840	-	555,840	672,858
Pension – GASB 68 (Notes 9 and 10)	<u>670,646</u>	<u>612,026</u>	<u>1,282,672</u>	<u>-</u>
<b>Total Deferred Inflows of Resources</b>	<b><u>4,734,028</u></b>	<b><u>1,220,534</u></b>	<b><u>5,954,562</u></b>	<b><u>4,521,775</u></b>
<b><u>NET POSITION:</u></b>				
Net Investment in Capital Assets	12,027,585	66,292,948	78,320,533	73,075,526
Unrestricted	4,851,581	28,906,079	33,757,660	32,734,219
Restricted for:				
Pension	-	321,373	321,373	-
Special Revenue:				
State Street Aid	204,522	-	204,522	229,909
Police Drug Fund	57,573	-	57,573	81,621
Capital Projects:				
Courthouse Revitalization	485,126	-	485,126	560,547
<b>Total Net Position</b>	<b><u>\$ 17,626,387</u></b>	<b><u>\$ 95,520,400</u></b>	<b><u>\$ 113,146,787</u></b>	<b><u>\$ 106,681,822</u></b>

See accompanying independent auditors' report and notes.

**CITY OF LOUDON, TENNESSEE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
With Comparative Totals for the Year Ended June 30, 2014

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>			
					<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>	
							<u>2015</u>	<u>2014</u>
<b>Functions/Programs</b>								
<b>Governmental Activities:</b>								
General government	\$ 711,373	\$ 83,323	\$ 30,000	\$ -	\$ (598,050)	\$ -	\$ (598,050)	\$ (796,332)
Public safety	3,011,846	7,381	-	-	(3,004,465)	-	(3,004,465)	(2,856,477)
Highways and streets	1,058,330	13,652	141,267	-	(903,411)	-	(903,411)	(1,607,833)
Sanitation	452,418	1,075	-	-	(451,343)	-	(451,343)	(470,053)
Health and recreation	932,162	92,816	-	-	(839,346)	-	(839,346)	(836,309)
Personnel reserve	23,388	-	-	-	(23,388)	-	(23,388)	(45,313)
Cable TV	16,643	-	-	-	(16,643)	-	(16,643)	(12,830)
Construction and related expenditures	205,471	-	2,672	-	(202,799)	-	(202,799)	(617,020)
Other	59,223	-	-	-	(59,223)	-	(59,223)	(55,833)
Interest/bond expense	169,024	-	-	-	(169,024)	-	(129,024)	(130,400)
	<u>6,639,878</u>	<u>198,247</u>	<u>173,939</u>	<u>-</u>	<u>(6,267,692)</u>	<u>-</u>	<u>(6,267,692)</u>	<u>(7,428,400)</u>
<b>Business-type activities:</b>								
Water and Sewer	8,702,688	11,321,386	-	67,497	-	2,686,195	2,686,195	1,758,020
Electric	45,434,241	47,794,340	-	-	-	2,360,099	2,360,099	2,881,730
Gas	17,926,521	20,828,345	-	-	-	2,901,824	2,901,824	2,875,087
	<u>72,063,450</u>	<u>79,944,071</u>	<u>-</u>	<u>67,497</u>	<u>-</u>	<u>7,948,118</u>	<u>7,948,118</u>	<u>7,514,837</u>
<b>Total Primary Government</b>	<b><u>\$ 78,703,328</u></b>	<b><u>\$ 80,142,318</u></b>	<b><u>\$ 173,939</u></b>	<b><u>\$ 67,497</u></b>	<b><u>(6,267,692)</u></b>	<b><u>7,948,118</u></b>	<b><u>1,680,426</u></b>	<b><u>86,437</u></b>
					Sales Taxes	-	1,651,895	1,671,255
					State income taxes & excise taxes	-	114,126	37,161
					Property taxes	-	3,667,870	3,427,255
					Business taxes	-	108,468	100,582
					Miscellaneous taxes	-	681,547	386,328
					In lieu of taxes	-	143,746	140,060
					Interest earned	33,584	41,507	44,196
					Miscellaneous	-	154,611	724,219
					Transfers – in lieu of taxes	<u>1,405,704</u>	<u>(1,405,704)</u>	<u>-</u>
					Total general revenues & transfers	<u>7,935,890</u>	<u>(1,372,120)</u>	<u>6,563,770</u>
					Change in net position	<u>1,668,198</u>	<u>6,575,998</u>	<u>8,244,196</u>
					Net Position – Beginning	16,687,264	89,994,558	106,681,822
					Restatement – Pension GASB 68 (Note 20)	<u>(729,075)</u>	<u>(1,050,156)</u>	<u>(1,779,231)</u>
					Restated Net Position – Beginning of Year	<u>15,958,189</u>	<u>88,944,402</u>	<u>104,902,591</u>
					<b>Net Position – Ending</b>	<b><u>\$ 17,626,387</u></b>	<b><u>\$ 95,520,400</u></b>	<b><u>\$ 113,146,787</u></b>
							<b><u>\$ 113,146,787</u></b>	<b><u>\$ 106,681,822</u></b>

See accompanying independent auditors' report and notes.

**CITY OF LOUDON, TENNESSEE**

**FUND FINANCIAL STATEMENTS**

**JUNE 30, 2015**



**CITY OF LOUDON, TENNESSEE**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2015**

With Comparative Totals for the Year Ended June 30, 2014

	<u>Major Fund</u>	<u>Non-Major Other Governmental Funds</u>	<u>Totals</u>	
	<u>General</u>		<u>2015</u>	<u>2014</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>Assets:</b>				
Cash and checking accounts	\$ 85,271	\$ 207,372	\$ 292,643	\$ 518,194
Temporary investments	4,446,387	1,304,013	5,750,400	4,548,868
Property taxes (less allowance for estimated uncollectibles)	2,826,234	-	2,826,234	2,545,463
Local option sales tax	108,610	90,810	199,420	198,739
State sales tax	63,220	-	63,220	68,430
Wholesale beer tax	41,910	-	41,910	41,195
Due from other funds	64,962	114,475	179,437	33,176
Other	174,261	54,045	228,306	351,071
Prepaid Item	1,002	-	1,002	1,000
Investment in sales type lease - receivable	-	117,018	117,018	117,018
<b>Total Assets</b>	<u>7,811,857</u>	<u>1,887,733</u>	<u>9,699,590</u>	<u>8,423,154</u>
<b>Deferred Outflows of Resources:</b>				
Investment in sales type lease	-	438,822	438,822	555,840
<b>Total Assets and Deferred Outflows of Resources</b>	<u><b>\$ 7,811,857</b></u>	<u><b>\$ 2,326,555</b></u>	<u><b>\$ 10,138,412</b></u>	<u><b>\$ 8,978,994</b></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 75,510	\$ 22,566	\$ 98,076	\$ 148,465
Other liabilities	192,153	40,830	232,983	169,753
Due to other funds	114,475	-	114,475	33,176
<b>Total Liabilities</b>	<u>382,138</u>	<u>63,396</u>	<u>445,534</u>	<u>351,394</u>
<b>Deferred Inflows of Resources:</b>				
Deferred Revenue – property taxes	3,507,542	-	3,507,542	3,226,772
Deferred Revenue – lease	-	555,840	555,840	672,858
<b>Total Deferred Inflows of Resources</b>	<u>3,507,542</u>	<u>555,840</u>	<u>4,063,382</u>	<u>3,899,630</u>
<b>Fund Balance:</b>				
Committed	-	39,966	39,966	37,990
Assigned	1,576,226	920,132	2,496,358	1,795,683
Unassigned	2,344,949	-	2,344,949	2,021,220
Restricted	-	747,221	747,221	872,077
Nonspendable	1,002	-	1,002	1,000
<b>Total Fund Balance</b>	<u>3,922,177</u>	<u>1,707,319</u>	<u>5,629,496</u>	<u>4,727,970</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<u><b>\$ 7,811,857</b></u>	<u><b>\$ 2,326,555</b></u>	<u><b>\$ 10,138,412</b></u>	<u><b>\$ 8,978,994</b></u>

See accompanying independent auditors' report and notes.

**CITY OF LOUDON, TENNESSEE**  
**RECONCILIATION OF THE BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

Fund Balances – total governmental funds		\$ 5,629,496
Amounts reported for the governmental activities in the statement of net position are different because:		
Capital assets, used in governmental activities are not financial resources and, therefore, are not reported in the funds.		18,477,599
Long-term liabilities, (bonds payable), are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(6,450,014)
Internal service funds are used by Management to charge the costs of self insurance to individual funds. The assets and liabilities of the internal service funds are reported with with governmental activities.		1,379,255
OPEB liability for post-employment benefits		(36,081)
Compensated absences		(983,659)
GASB 68 Pension Items:		
Net Pension Liability	(190,616)	
Pension – deferred outflows of resources	471,053	
Pension – deferred inflows of resources	<u>(670,646)</u>	<u>(390,209)</u>
<b>Net Position of Governmental Activities</b>		<b><u>\$ 17,626,387</u></b>

See accompanying independent auditors' report and notes.

**CITY OF LOUDON, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
For the Fiscal Year Ended June 30, 2015  
With Comparative Totals for the Year Ended June 30, 2014

	<u>Major Fund</u>	<u>Non-Major Other</u>	<u>Total Governmental Fund</u>	
	<u>General Fund</u>	<u>Governmental Funds</u>	<u>2015</u>	<u>2014</u>
<b>Revenues:</b>				
Local taxes	\$ 4,766,225	\$ -	\$ 4,766,225	\$ 4,462,164
Licenses and permits	61,163	-	61,163	36,036
Intergovernmental revenue	698,723	914,052	1,612,775	1,471,879
Fines and court costs	22,505	7,381	29,886	38,905
Charges for services	24,955	92,816	117,771	220,353
Lease payments	-	144,018	144,018	120,518
Sale of land	-	-	-	53,610
Interest	5,311	2,612	7,923	7,173
Contributions	-	-	-	550
Miscellaneous	<u>154,443</u>	<u>168</u>	<u>154,611</u>	<u>36,727</u>
Total Revenues	<u>5,733,325</u>	<u>1,161,047</u>	<u>6,894,372</u>	<u>6,447,915</u>
<b>Expenditures:</b>				
General government	639,681	-	639,681	660,289
Public safety	2,978,039	114,869	3,092,908	3,327,841
Highways and streets	874,433	166,934	1,041,367	1,098,408
Sanitation	420,502	-	420,502	439,056
Health and recreation	194,394	1,936,923	2,131,317	809,783
Personnel reserve	23,388	-	23,388	45,313
Cable TV	-	16,643	16,643	12,830
Construction and related expenditures	255,192	228,137	483,329	590,255
Other expenditures	55,833	3,390	59,223	55,833
Debt service:				
Principal retirement	906,000	73,407	979,407	944,445
Interest	<u>130,713</u>	<u>38,311</u>	<u>169,024</u>	<u>173,673</u>
Total Expenditures	<u>6,478,175</u>	<u>2,578,614</u>	<u>9,056,789</u>	<u>8,157,726</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(744,850)</u>	<u>(1,417,567)</u>	<u>(2,162,417)</u>	<u>(1,709,811)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers – in lieu of taxes	1,405,704	-	1,405,704	1,345,704
Transfers in – Water debt service	239,776	-	239,776	236,668
Bond proceeds	-	1,400,000	1,400,000	-
Transfers in - Recreation	<u>18,463</u>	<u>-</u>	<u>18,463</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>1,663,943</u>	<u>1,400,000</u>	<u>3,063,943</u>	<u>1,582,372</u>
Excess of Revenues and Other Sources Over Expenditures & Other Uses	919,093	(17,567)	901,526	(127,439)
Fund Balance – July 1 <sup>st</sup>	<u>3,003,084</u>	<u>1,724,886</u>	<u>4,727,970</u>	<u>4,855,409</u>
<b>Fund Balance – June 30<sup>th</sup></b>	<b><u>\$ 3,922,177</u></b>	<b><u>\$ 1,707,319</u></b>	<b><u>\$ 5,629,496</u></b>	<b><u>\$ 4,727,970</u></b>

See accompanying independent auditors' report and notes.

**CITY OF LOUDON, TENNESSEE**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE**  
**TO THE STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2015

Net change in fund balances – total governmental funds \$ 901,526

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Depreciation	\$ (1,565,134)	
Capital Outlay	<u>1,852,326</u>	287,192

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This is the amount by which principal retirement exceeded proceeds in the current period:

Principal Paid	\$ 1,115,407	
Bond Proceeds	<u>(1,400,000)</u>	(285,693)

The net revenues (expenditures) of internal service funds activities are reported with the governmental activities 1,403,921

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported in the governmental funds:

OPEB Liability	\$ (36,081)	
Pension Obligation	(190,616)	
Compensated absences	(212,458)	
Deferred Outflows -		
Pension	471,053	
Deferred Inflows -		
Pension	<u>(670,646)</u>	<u>(638,748)</u>

**Change in Net Position of Governmental Activities** **\$ 1,668,198**

See accompanying independent auditors' report and notes.

**CITY OF LOUDON, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2015  
With Comparative Totals for the Year Ended June 30, 2014

	<b>Budget</b>			<b>Variance -</b>	<b>Total</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Favorable</b>	<b>(Memorandum</b>
				<b>(Unfavorable)</b>	<b>Only)</b>
					<b>2014</b>
<b>Revenues:</b>					
Local taxes	\$ 4,307,100	\$ 4,715,500	\$ 4,766,225	\$ 50,725	\$ 4,462,164
Licenses and permits	28,100	55,100	61,163	6,063	36,036
Intergovernmental revenue	556,550	574,184	698,723	124,539	602,501
Fines and court costs	30,000	30,000	22,505	(7,495)	27,500
Charges for services	21,600	21,600	24,955	3,355	22,082
Miscellaneous revenue	<u>60,885</u>	<u>139,885</u>	<u>159,754</u>	<u>19,869</u>	<u>204,609</u>
Total Revenues	<u>5,004,235</u>	<u>5,536,269</u>	<u>5,733,325</u>	<u>197,056</u>	<u>5,354,892</u>
<b>Expenditures:</b>					
General government	652,490	679,740	639,681	40,059	660,289
Public safety	3,082,792	3,062,792	2,978,039	84,753	3,297,829
Sanitation	466,615	466,615	420,502	46,113	439,056
Highways and streets	936,540	927,840	874,433	53,407	990,234
Health and recreation	199,285	208,285	194,394	13,891	185,383
Personnel reserve	4,850	23,400	23,388	12	45,313
Other expenditures	610,130	610,130	311,025	299,105	72,556
Debt service					
Principal retirement/bond expense	906,000	906,000	906,000	-	876,000
Interest	<u>112,250</u>	<u>130,713</u>	<u>130,713</u>	<u>-</u>	<u>130,400</u>
Total Expenditures	<u>6,970,952</u>	<u>7,015,515</u>	<u>6,478,175</u>	<u>537,340</u>	<u>6,697,060</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,966,717)</u>	<u>(1,479,246)</u>	<u>(744,850)</u>	<u>734,396</u>	<u>(1,342,168)</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers for					
In-lieu of tax (In)	1,404,000	1,404,000	1,405,704	1,704	1,345,704
Recreation Fund (Out)	-	-	18,463	18,463	(36,865)
Bond Proceeds	1,400,000	-	-	-	-
Equipment Reserve(Out)	-	-	-	-	-
Transfer from Water Department debt service	<u>239,775</u>	<u>239,775</u>	<u>239,776</u>	<u>1</u>	<u>236,668</u>
Total Other Financing Sources (Uses)	<u>3,043,775</u>	<u>1,643,775</u>	<u>1,663,943</u>	<u>20,168</u>	<u>1,545,507</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	1,077,058	164,529	919,093	754,564	203,339
FUND BALANCE AT BEGINNING OF YEAR	<u>3,003,084</u>	<u>3,003,084</u>	<u>3,003,084</u>	<u>-</u>	<u>2,799,745</u>
FUND BALANCE AT END OF YEAR	<u><u>\$ 4,080,142</u></u>	<u><u>\$ 3,167,613</u></u>	<u><u>\$ 3,922,177</u></u>	<u><u>\$ 754,564</u></u>	<u><u>\$ 3,003,084</u></u>

See accompanying independent auditors' report and notes.

**CITY OF LOUDON, TENNESSEE**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

With Comparative Totals for the Year Ended June 30, 2014

	<b>June 30, 2015</b>					<b>June 30, 2014</b>	
	<b>Business-Type Activities - Enterprise Funds</b>				<b>Governmental Activities Internal Service Funds</b>	<b>Business Type Activity Enterprise Funds</b>	<b>Governmental Activities Internal Service Funds</b>
	<b>Electric Department</b>	<b>Gas Department</b>	<b>Water and Sewer Department</b>	<b>Total</b>			
<b>ASSETS</b>							
<b>Current assets</b>							
Cash							
Operating accounts	\$ 3,527,158	\$ 5,000	\$ 1,260,848	\$ 4,793,006	\$ 591,101	\$ 7,041,709	\$ 328,460
Cash investments	<u>8,634,932</u>	<u>14,988,960</u>	<u>582,457</u>	<u>24,206,349</u>	<u>965,121</u>	<u>22,319,275</u>	<u>922,575</u>
Total Cash	<u>12,162,090</u>	<u>14,993,960</u>	<u>1,843,305</u>	<u>28,999,355</u>	<u>1,556,222</u>	<u>29,360,984</u>	<u>1,251,035</u>
<b>Receivables</b>							
Trade accounts, net of allowance	6,257,163	-	-	6,257,163	-	6,227,417	-
Due from Electric Department for							
customer billings	-	1,387,148	465,389	1,852,537	-	1,705,618	-
Rents	85,924	-	-	85,924	-	85,924	-
Other	<u>1,407,190</u>	<u>87,777</u>	<u>240,465</u>	<u>1,735,432</u>	-	<u>1,419,544</u>	-
Net Receivables	<u>7,750,277</u>	<u>1,474,925</u>	<u>705,854</u>	<u>9,931,056</u>	-	<u>9,438,503</u>	-
Prepaid expenses	-	-	10,380	10,380	-	8,650	-
Natural gas in storage	-	377,593	-	377,593	-	504,755	-
Materials and supplies	<u>583,254</u>	<u>64,689</u>	<u>111,817</u>	<u>759,760</u>	<u>61,538</u>	<u>856,449</u>	<u>72,231</u>
Total Inventory/Prepays	<u>583,254</u>	<u>442,282</u>	<u>122,197</u>	<u>1,147,733</u>	<u>61,538</u>	<u>1,369,854</u>	<u>72,231</u>
Total Current Assets	<u>20,495,621</u>	<u>16,911,167</u>	<u>2,671,356</u>	<u>40,078,144</u>	<u>1,617,760</u>	<u>40,169,341</u>	<u>1,323,266</u>
<b>Restricted Assets</b>							
Retainage	-	-	192,642	192,642	-	503,510	-
Paying agent accounts	2,975	-	-	2,975	-	472,701	-
Debt reserve funds	3,118	-	1,324,694	1,327,812	-	1,327,699	-
Construction account	-	-	491,383	491,383	-	437,651	-
Retirement escrow account	-	-	-	-	-	467,680	-
Total Restricted Assets	<u>6,093</u>	-	<u>2,008,719</u>	<u>2,014,812</u>	-	<u>3,209,241</u>	-
<b>Fixed Assets</b>							
Investment in land (nondepreciable)	447,508	1,299,300	483,681	2,230,489	-	2,230,489	-
Fixed Assets in service – at cost	41,605,127	19,955,274	63,136,730	124,697,131	107,276	121,528,821	86,424
Less accumulated depreciation	<u>(18,397,288)</u>	<u>(10,333,508)</u>	<u>(27,617,246)</u>	<u>(56,348,042)</u>	<u>(82,609)</u>	<u>(53,584,528)</u>	<u>(82,146)</u>
Construction in progress	<u>23,655,347</u>	<u>10,921,066</u>	<u>36,003,165</u>	<u>70,579,578</u>	<u>24,667</u>	<u>70,174,782</u>	<u>4,278</u>
Net Fixed Assets	<u>8,110,922</u>	<u>500</u>	<u>15,788,555</u>	<u>23,899,977</u>	-	<u>19,476,004</u>	-
Net Fixed Assets	<u>31,766,269</u>	<u>10,921,566</u>	<u>51,791,720</u>	<u>94,479,555</u>	<u>24,667</u>	<u>89,650,786</u>	<u>4,278</u>
<b>Other Assets and Deferred Charges</b>							
Net Pension Asset	203,421	82,804	35,148	321,373	-	-	-
Energy Right loans receivable	369,341	-	-	369,341	-	363,734	-
Aid-to-construction costs receivable	162,620	-	-	162,620	-	139,100	-
Loan Receivable – Sewer Fund	-	<u>1,308,432</u>	-	<u>1,308,432</u>	-	-	-
Total Other Assets	<u>735,382</u>	<u>1,391,236</u>	<u>35,148</u>	<u>2,161,766</u>	-	<u>502,834</u>	-
Total Assets	<u>53,003,365</u>	<u>29,223,969</u>	<u>56,506,943</u>	<u>138,734,277</u>	<u>1,642,427</u>	<u>133,532,202</u>	<u>1,327,544</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>							
Deferred regulatory charges - bond							
issuance costs	-	-	230,738	230,738	-	244,375	-
Pension – GASB 68	<u>46,321</u>	<u>17,099</u>	<u>950,636</u>	<u>1,014,056</u>	-	-	-
Total Deferred Outflows	<u>46,321</u>	<u>17,099</u>	<u>1,181,374</u>	<u>1,244,794</u>	-	<u>244,375</u>	-

See accompanying independent auditors' report and notes.

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION (Continued)**  
**JUNE 30, 2015**  
With Comparative Totals for the Year Ended June 30, 2014

	<b>June 30, 2015</b>					<b>June 30, 2014</b>	
	<b>Business-Type Activities - Enterprise Funds</b>				<b>Governmental Activities Internal Service Funds</b>	<b>Business Type Activity Enterprise Funds</b>	<b>Governmental Activities Internal Service Funds</b>
	<b>Electric Department</b>	<b>Gas Department</b>	<b>Water and Sewer Department</b>	<b>Total</b>			
<b>LIABILITIES AND NET POSITION</b>							
<b>Current liabilities</b>							
Trade accounts payable	\$ 7,925,331	\$ 1,323,277	\$ 581,806	\$ 9,830,414	\$ 21,243	\$ 9,928,882	\$ 26,252
Due to General Fund	-	-	-	-	64,962	-	50,257
Due to other departments for customer billings	1,852,537	-	-	1,852,537	-	1,705,618	-
Accrued liabilities	49,911	19,418	54,340	123,669	-	116,725	-
Refundable customer advances	27,112	-	-	27,112	-	27,195	-
Compensated absences	111,131	142,237	122,412	375,780	-	461,019	-
Benefit claims payable	-	-	-	-	152,300	-	152,300
Current installments of long-term debt	-	-	1,735,794	1,735,794	-	1,908,306	-
Accrued interest	-	-	206,494	206,494	-	183,352	-
OPEB Liability	461,121	145,167	606,738	1,213,026	-	1,037,956	-
Net pension liability	-	-	44,467	47,467	-	-	-
Total Current Liabilities	<u>10,427,143</u>	<u>1,630,099</u>	<u>3,355,051</u>	<u>15,412,293</u>	<u>238,505</u>	<u>15,369,053</u>	<u>228,809</u>
<b>Other Liabilities</b>							
Customer Deposits	<u>347,535</u>	<u>-</u>	<u>-</u>	<u>347,535</u>	<u>-</u>	<u>281,700</u>	<u>-</u>
<b>Long-Term Debt</b>							
Compensated absences	356,273	213,355	457,868	1,027,496	-	986,426	-
Bonds payable	-	-	13,126,765	13,126,765	-	13,627,492	-
Notes payable	-	-	13,324,048	13,324,048	-	12,895,203	-
Total Long-term Debt	<u>356,273</u>	<u>213,355</u>	<u>26,908,681</u>	<u>27,478,309</u>	<u>-</u>	<u>27,509,121</u>	<u>-</u>
Total Liabilities	<u>11,130,951</u>	<u>1,843,454</u>	<u>30,263,732</u>	<u>43,238,137</u>	<u>-</u>	<u>43,159,874</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>							
Deferred regulatory bond premium	-	-	608,508	608,508	-	622,145	-
Pension – GASB 68	<u>217,118</u>	<u>89,365</u>	<u>305,543</u>	<u>612,026</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>217,118</u>	<u>89,365</u>	<u>914,051</u>	<u>1,220,534</u>	<u>-</u>	<u>622,145</u>	<u>-</u>
<b>Net Position</b>							
Net investment in capital assets	31,766,269	10,921,566	23,605,113	66,292,948	-	61,219,785	-
Restricted - Pension	203,421	82,804	35,148	321,373	-	-	-
Unrestricted	<u>9,731,927</u>	<u>16,303,879</u>	<u>2,870,273</u>	<u>28,906,079</u>	<u>1,403,922</u>	<u>28,774,773</u>	<u>1,098,735</u>
Total Net Position	<u>\$ 41,701,617</u>	<u>\$ 27,308,249</u>	<u>\$ 26,510,534</u>	<u>\$ 95,520,400</u>	<u>\$ 1,403,922</u>	<u>\$ 89,994,558</u>	<u>\$ 1,098,735</u>

See accompanying independent auditors' report and notes.

**CITY OF LOUDON, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN NET POSITION – PROPRIETARY FUNDS**  
For the Fiscal Year Ended June 30, 2015  
With Comparative Totals for the Fiscal Year Ended June 30, 2014

	<u>June 30, 2015</u>					<u>June 30, 2014</u>	
	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental Activities Internal Service Funds</u>	<u>Business Type Activity Enterprise Funds</u>	<u>Governmental Activities Internal Service Funds</u>
	<u>Electric Department</u>	<u>Gas Department</u>	<u>Water and Sewer Department</u>	<u>Total</u>			
<b>Operating Revenues</b>							
Unbilled revenue	\$ 144,461	\$ -	\$ -	\$ 144,461	\$ -	\$ 60,463	\$ -
Residential sales	15,894,611	1,966,491	1,989,244	19,850,346	-	19,798,350	-
Commercial, industrial and interruptible sales	30,304,051	18,669,123	9,301,902	58,275,076	-	58,972,238	-
Street and outdoor lighting sales	463,851	-	-	463,851	-	463,028	-
Forfeited discounts	279,447	-	-	279,447	-	262,464	-
Rent	621,846	39,840	-	661,686	-	653,582	-
Other revenues	<u>86,073</u>	<u>152,891</u>	<u>30,240</u>	<u>269,204</u>	<u>2,767,984</u>	<u>338,027</u>	<u>2,865,984</u>
Total Operating Revenues	<u>47,794,340</u>	<u>20,828,345</u>	<u>11,321,386</u>	<u>79,944,071</u>	<u>2,767,984</u>	<u>80,548,142</u>	<u>2,865,984</u>
<b>Operating Expenses</b>							
Electric power purchased and Facilities rental	40,506,056	-	-	40,506,056	-	39,692,023	-
Natural gas purchased	<u>-</u>	<u>15,837,050</u>	<u>-</u>	<u>15,837,050</u>	<u>-</u>	<u>16,523,045</u>	<u>-</u>
	<u>40,506,056</u>	<u>15,837,050</u>	<u>-</u>	<u>56,343,106</u>	<u>-</u>	<u>56,215,068</u>	<u>-</u>
System operations							
Distribution and operation	1,170,003	803,322	3,901,360	5,874,685	-	6,154,796	-
Customer accounts	455,239	45,929	88,454	589,622	-	595,187	-
Administrative and general	<u>759,891</u>	<u>413,982</u>	<u>1,113,353</u>	<u>2,287,226</u>	<u>-</u>	<u>3,253,882</u>	<u>-</u>
	<u>2,385,133</u>	<u>1,263,233</u>	<u>5,103,167</u>	<u>8,751,533</u>	<u>-</u>	<u>10,003,865</u>	<u>-</u>
Maintenance							
Distribution and operations	1,453,069	227,099	1,001,901	2,682,069	220,955	2,386,245	197,814
Administrative and general	<u>-</u>	<u>139,886</u>	<u>203,682</u>	<u>343,568</u>	<u>496,081</u>	<u>588,869</u>	<u>458,391</u>
	<u>1,453,069</u>	<u>366,985</u>	<u>1,205,583</u>	<u>3,025,637</u>	<u>717,036</u>	<u>2,975,114</u>	<u>656,205</u>
Benefits paid	-	-	-	-	1,747,075	-	2,147,238
Depreciation	<u>1,075,483</u>	<u>459,253</u>	<u>1,478,363</u>	<u>3,013,099</u>	<u>462</u>	<u>2,875,308</u>	<u>347</u>
	<u>1,075,483</u>	<u>459,253</u>	<u>1,478,363</u>	<u>3,013,099</u>	<u>1,747,537</u>	<u>2,875,308</u>	<u>2,147,585</u>
Total Operating Expenses	<u>45,419,741</u>	<u>17,926,521</u>	<u>7,787,113</u>	<u>71,133,375</u>	<u>2,464,573</u>	<u>72,069,355</u>	<u>2,803,790</u>
Operating Income	<u>2,374,599</u>	<u>2,901,824</u>	<u>3,534,273</u>	<u>8,810,696</u>	<u>303,411</u>	<u>8,478,787</u>	<u>62,194</u>
<b>Non-operating Revenues (Expenses)</b>							
Interest income	8,617	20,402	4,565	33,584	1,776	37,023	1,654
Interest expense	(14,500)	-	(901,938)	(916,438)	-	(950,313)	-
Amortization of debt expense	<u>-</u>	<u>-</u>	<u>(13,637)</u>	<u>(13,637)</u>	<u>-</u>	<u>(13,637)</u>	<u>-</u>
Total Non-operating Revenues (Expenses)	<u>(5,883)</u>	<u>20,402</u>	<u>(911,010)</u>	<u>(896,491)</u>	<u>1,776</u>	<u>(926,927)</u>	<u>1,654</u>

(Continued)



**CITY OF LOUDON, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN NET POSITION – PROPRIETARY FUNDS (Continued)**  
For the Fiscal Year Ended June 30, 2015  
With Comparative Totals for the Fiscal Year Ended June 30, 2014

	<b>June 30, 2015</b>					<b>June 30, 2014</b>	
	<b>Business-Type Activities - Enterprise Funds</b>				<b>Governmental Activities Internal Service Funds</b>	<b>Business Type Activity Enterprise Funds</b>	<b>Governmental Activities Internal Service Funds</b>
	<b><u>Electric Department</u></b>	<b><u>Gas Department</u></b>	<b><u>Water and Sewer Department</u></b>	<b><u>Total</u></b>			
Net Income Before Capital Contributions and Transfers	<u>2,368,716</u>	<u>2,922,226</u>	<u>2,623,263</u>	<u>7,914,205</u>	305,187	<u>7,551,860</u>	<u>63,848</u>
Contributions	-	-	67,497	67,497	-	-	-
Transfers Out – in lieu of tax	<u>(660,000)</u>	<u>(324,000)</u>	<u>(421,704)</u>	<u>(1,405,704)</u>	-	<u>(1,345,704)</u>	-
Total Contributions and Transfers	<u>(660,000)</u>	<u>(324,000)</u>	<u>(354,207)</u>	<u>(1,338,207)</u>	-	-	-
Change in Net Position	<u>1,708,716</u>	<u>2,598,226</u>	<u>2,269,056</u>	<u>6,575,998</u>	<u>305,187</u>	<u>6,206,156</u>	<u>63,848</u>
Net Position – Beginning of Year	40,481,184	25,051,566	24,461,808	89,994,558	1,098,735	83,788,402	1,034,887
Restatement – Pension Note 20	<u>(488,283)</u>	<u>(341,543)</u>	<u>(220,330)</u>	<u>(1,050,156)</u>	-	-	-
Adjusted Net Position - Beginning of Year	<u>39,992,901</u>	<u>24,710,023</u>	<u>24,241,478</u>	<u>88,944,402</u>	<u>1,403,922</u>	<u>83,788,402</u>	<u>1,098,735</u>
<b>Net Position – End of Year</b>	<b><u>\$ 41,701,617</u></b>	<b><u>\$ 27,308,249</u></b>	<b><u>\$ 26,510,534</u></b>	<b><u>\$ 95,520,400</u></b>	<b><u>\$ 1,403,922</u></b>	<b><u>\$ 89,994,558</u></b>	<b><u>\$ 1,098,735</u></b>

See accompanying independent auditors' report and notes.

**CITY OF LOUDON, TENNESSEE**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
With Comparative Totals for the Year Ended June 30, 2014

	<u>June 30, 2015</u>					<u>June 30, 2014</u>	
	<u>Business-Type Activities -</u>				<u>Governmental</u>	<u>Business</u>	<u>Governmental</u>
	<u>Enterprise Funds</u>				<u>Activities</u>	<u>Type</u>	<u>Activities</u>
	<u>Electric</u>	<u>Gas</u>	<u>Water and</u>		<u>Internal</u>	<u>Activity</u>	<u>Internal</u>
	<u>Department</u>	<u>Department</u>	<u>Sewer</u>	<u>Total</u>	<u>Service</u>	<u>Enterprise</u>	<u>Service</u>
			<u>Department</u>		<u>Funds</u>	<u>Funds</u>	<u>Funds</u>
<b>Cash Flows from Operating Activities</b>							
Cash received from customers	\$ 47,628,033	\$20,306,069	\$11,311,132	\$79,245,234	\$ 2,745,395	\$80,438,619	\$ 2,667,288
Cash received from others	-	-	-	-	43,460	-	203,321
Cash payments to suppliers for goods and services/benefits/medical	(42,597,859)	(16,489,375)	(4,482,131)	(63,569,365)	(2,464,592)	(62,759,568)	(2,803,790)
Cash payments to employees for Services/benefits	(2,208,720)	(964,560)	(1,704,426)	(4,877,706)	-	(6,444,591)	-
Net Cash Flows from Operating Activities	<u>2,821,454</u>	<u>2,852,134</u>	<u>5,124,575</u>	<u>10,798,163</u>	<u>324,263</u>	<u>11,234,460</u>	<u>66,819</u>
<b>Cash Flow from Non-Capital Financing Activities</b>							
Transfers Out – Payments in lieu of taxes	(660,000)	(324,000)	(421,704)	(1,405,704)	-	(1,345,704)	-
Customer deposits	<u>65,835</u>	<u>-</u>	<u>-</u>	<u>65,835</u>	<u>-</u>	<u>50,475</u>	<u>-</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(594,165)</u>	<u>(324,000)</u>	<u>(421,704)</u>	<u>(1,339,869)</u>	<u>-</u>	<u>(1,295,229)</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>							
Loan to Sewer Fund	-	(1,308,432)	-	(1,308,432)	-	-	-
Sale (purchase) of equipment	-	-	-	-	-	-	(4,625)
Additions to property, plant and equipment	(3,123,361)	(401,725)	(5,099,089)	(8,624,175)	(20,852)	(11,221,643)	-
Additions to loans/bonds/notes	-	-	1,708,432	1,708,432	-	985,120	-
Principal paid on bonds and loans	(250,000)	-	(1,658,306)	(1,908,306)	-	(1,893,178)	-
Interest paid on bonds and loans	<u>(14,500)</u>	<u>-</u>	<u>(900,955)</u>	<u>(915,455)</u>	<u>-</u>	<u>(964,107)</u>	<u>-</u>
Net Cash Provided (Used) in Capital and Related Financing Activities	<u>(3,387,861)</u>	<u>(1,710,157)</u>	<u>(5,949,918)</u>	<u>(11,047,936)</u>	<u>(20,852)</u>	<u>(13,093,808)</u>	<u>(4,625)</u>
<b>Cash Flows from Investing Activities</b>							
Interest on investments	<u>8,616</u>	<u>20,402</u>	<u>4,565</u>	<u>33,583</u>	<u>1,776</u>	<u>37,023</u>	<u>1,654</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,151,956)	838,379	(1,242,482)	(1,556,059)	305,187	(3,117,554)	63,848
Cash and Cash Equivalents at Beginning of Year	<u>13,320,139</u>	<u>14,155,581</u>	<u>5,094,506</u>	<u>32,570,226</u>	<u>1,251,035</u>	<u>35,687,779</u>	<u>1,187,187</u>
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$ 12,168,183</u></b>	<b><u>\$14,993,960</u></b>	<b><u>\$ 3,852,024</u></b>	<b><u>\$31,014,167</u></b>	<b><u>\$ 1,556,222</u></b>	<b><u>\$32,570,225</u></b>	<b><u>\$ 1,251,035</u></b>

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (Continued)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
**With Comparative Totals for the Year Ended June 30, 2013**

	<b>June 30, 2015</b>					<b>June 30, 2014</b>	
	<b>Business-Type Activities - Enterprise Funds</b>				<b>Governmental Activities Internal Service Funds</b>	<b>Business Type Activity Enterprise Funds</b>	<b>Governmental Activities Internal Service Funds</b>
	<b><u>Electric Department</u></b>	<b><u>Gas Department</u></b>	<b><u>Water and Sewer Department</u></b>	<b><u>Total</u></b>			
<b>Reconciliation of Net Cash Flows</b>							
<b>    Provided by Operating Activities</b>							
<b>By Operating Activities</b>							
Operating income	\$ 2,374,599	\$ 2,901,824	\$ 3,534,273	\$ 8,810,696	\$ 303,411	\$ 8,478,787	\$ 62,194
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities							
Depreciation and amortization	1,075,483	459,253	1,492,000	3,026,736	463	2,888,945	347
Provision for uncollectible accounts	(167,711)	-	-	(167,711)	-	(166,479)	-
Change in assets and liabilities							
Receivables	(166,307)	(86,559)	(149,773)	(402,639)	-	(192,019)	-
Interdepartmental accounts payable/receivable	146,919	(89,914)	-	57,005	-	-	-
Gas in storage	-	127,162	-	127,162	-	(973)	-
Materials and supplies	98,734	(1,496)	(549)	96,689	10,693	(107,415)	6,990
Prepaid items	-	-	(1,730)	(1,730)	-	6,878	-
Accounts payable	67,441	-	(158,555)	(91,114)	(5,009)	418,638	21,507
Other current liabilities	(223,495)	(344,133)	(47,467)	(615,095)	-	(2,778)	-
Compensated absences	16,392	(29,667)	(30,894)	(44,169)	14,705	1,046	-
Other liabilities/assets	<u>(400,601)</u>	<u>(84,336)</u>	<u>487,270</u>	<u>2,333</u>	<u>-</u>	<u>(90,170)</u>	<u>(24,219)</u>
<b>    Net Cash Provided by     Operating Activities</b>	<b><u>\$ 2,821,454</u></b>	<b><u>\$ 2,852,134</u></b>	<b><u>\$ 5,124,575</u></b>	<b><u>\$10,798,163</u></b>	<b><u>\$ 324,263</u></b>	<b><u>\$11,234,460</u></b>	<b><u>\$ 66,819</u></b>
<b>Cash and Cash Equivalents consists of</b>							
Cash and checking accounts	\$ 3,527,158	\$ 5,000	\$ 1,260,848	\$ 4,793,006	\$ 591,101	\$ 7,041,709	\$ 328,460
Temporary investments	8,634,932	14,988,960	582,457	24,206,349	-	22,319,275	-
Restricted cash and investments	<u>6,093</u>	<u>-</u>	<u>2,008,719</u>	<u>2,014,812</u>	<u>965,121</u>	<u>3,209,241</u>	<u>922,575</u>
	<b><u>\$12,168,183</u></b>	<b><u>\$14,993,960</u></b>	<b><u>\$ 3,852,024</u></b>	<b><u>\$31,014,167</u></b>	<b><u>\$ 1,556,222</u></b>	<b><u>\$32,570,225</u></b>	<b><u>\$ 1,251,035</u></b>

See accompanying independent auditors' report and notes.

**CITY OF LOUDON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**CITY OF LOUDON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Loudon, Tennessee (the City), located in Loudon County, was incorporated as an entity under Chapter 229, Private Acts of Tennessee for 1927, as amended, which became the charter of the City. The City is governed by a Mayor, City manager, and City Council and provides the following services: police, fire, recreation, public works and utilities.

The accompanying summary of the City's significant accounting policies is presented to assist the reader in interpreting the basic financial statements. The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units.

**A. Financial Reporting Entity**

The accompanying basic financial statements include the City and all its component units (if applicable), collectively referred to as "the financial reporting entity", in accordance with the Governmental Accounting Standards Board's ("GASB") Statement 14 as amended by GASB Statement 39.

**B. Basic Financial Statements – GASB No. 34**

The basic financial statements include both government-wide (based on the City as a whole and its component units) and fund financial statements. Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. *Governmental activities* are normally supported by taxes and intergovernmental revenues. *Business-type activities* rely to a significant extent, on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets as well as long-term obligations. The government-wide financial statements focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses, including depreciation, of the various departments of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific department. Interest on general long-term debt and depreciation expense on assets shared by multiple departments, are not allocated to the various departments. Program revenues include revenues from fines and forfeitures, licenses and permit fees, special assessment taxes, certain intergovernmental grants, other entities participation and charges for services. Taxes and other items not properly included among program revenues are reported as general revenues.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

The City does not currently utilize an indirect cost allocation system. The General Fund charges certain administrative fees to departments within other operating funds to support general services used by those funds. The expenditures/expenses are recorded as a reduction of expense in the allocating fund. Therefore, no elimination is required from either the government-wide or fund level financial statements.

The fund financial statements are presented with an emphasis on the major funds in either the governmental or business-type categories. Non-major funds are summarized into a single column.

Unless an internal service fund is combined with the business-type activities (deemed to be an infrequent event), totals on the proprietary fund statement should directly reconcile to the business-type activity column presented in the government-wide financial statements.

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basic Financial Statements – GASB No. 34 (Continued)**

Internal service funds of a government (which traditionally provide services primarily to the other funds of the City) are presented as part of the proprietary fund financial statements. Since the principal users of the internal services are the City's governmental activities, financial statements of internal service funds are consolidated into the governmental column when presented at the government-wide level. To the extent possible, the costs of these services are reflected in the appropriate department.

**C. Basis of Presentation**

The following fund categories are used by the City:

The City uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid in the City's financial management by segregating transactions related to certain functions or activities.

**Governmental Fund Types**

Governmental Funds include the following fund types:

**General** – The General Fund is the general operating fund of the City. It is used to account for all activities of the City not accounted for in some other fund.

**Special Revenue** – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally or otherwise restricted to expenditures for specific purposes. There is no special revenue fund presented as major fund in the basic financial statement.

**Capital Projects** – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

**Proprietary Fund Types**

Proprietary funds are used to account for the City's ongoing operations and activities, which are similar to those often found in the private sector. The focus of Proprietary Fund measurement is upon the determination of operating income, changes in net position, financial position and cash flows. Each proprietary fund is reported as major funds in the basic financial statements.

Proprietary funds include the following fund types:

**Enterprise** – Enterprise Funds are used to account for operations, including debt service, (a) that are financed and operated in a manner similar to private businesses – where the intent of the government body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis is financed or recovered primarily through user charges; or (b) where the governing body has determined that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation (Continued)**

The following enterprise funds are used by the City:

**Water and Sewer Fund** – The system is managed by the Loudon Utilities Board. Created to finance, develop and operate the water and wastewater activities of the City. All activities necessary to provide such services are accounted for in this fund, including but not limited to administration, operation, maintenance, financing and related debt service, billing and collection.

**Electric Department Fund** – The system is managed by the Loudon Utilities Board and is engaged in the distribution of electrical energy in the area which it serves. All activities necessary to provide such services are accounted for in this fund, including but not limited to administration, operation, maintenance, financing, billing and collection.

**Gas Department** – The system is managed by the Loudon Utilities Board and provides gas services in the area which it serves. All activities necessary to provide such services are accounted for in this fund, including but not limited to administration, operation, maintenance and financing.

**Internal Service** – Internal Service Funds account for operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

**Maintenance Fund** – A department of the City that provides maintenance services to other departments, on a cost-reimbursement basis.

**Employee Benefits Fund** – Accounts for fees collected and benefits paid to or for employees in connection with vision insurance provided.

**Medical Benefits Fund** – The fund is used to administer the health and dental insurance coverage of the City's employees. Additional stop-gap insurance is carried through an outside insurance company.

**D. Measurement Focus and Basis of Accounting**

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to 1) demonstrate legal and covenant compliance, 2) demonstrate the source and use of liquid resources, and 3) demonstrate how the City's actual experience conforms to the biennial budget. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" is defined as collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures, other than interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting (Continued)**

Revenues susceptible to accrual include property tax, local sales tax, state-shared sales tax and highway user tax. Licenses and permits, charges for services, fines and forfeitures, and miscellaneous revenues are generally recorded as revenues when received in cash because they are not measurable until actually received. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues.

In one, monies must be expended for a specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to the purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

The City reports deferred revenues in the governmental funds if the potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue and recognition criteria are met or the City has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets.

Since the governmental fund financial statements are presented on a basis different than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this rule is charges between the government’s water and sewer function and various functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the applicable functions.

Amounts reported as program revenue include 1) charges to customers or users who purchase, use or directly benefit from goods or services provided by a particular department 2) operating grants and contributions that are restricted to meeting the operational requirements of a particular department and 3) capital grants and contributions that are restricted. Taxes, investment income and other revenues not identifiable with a particular department are included as general revenues. The general revenues support the net costs of the departments not covered by program revenues.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources, as they are needed.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services of the fund’s principal ongoing operations. Operating expenses include the cost of providing the goods and services, administrative expenses, and depreciation on capital assets. Non-operating revenues and expenses are items such as investment income and interest expense, which are not a result of the direct operations of the activity.

(Continued)



**CITY OF LOUDON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Implementation of Accounting Principles**

**(1) Governmental Accounting Standards Board Statement No. 34**

The City uses the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This statement affects the manner which the City records transactions and presents financial information. State and local governments have traditionally used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

GASB Statement No. 34 established a reporting model for the annual financial reports of state and local governments. The statement was developed to make annual reports of state and local governments easier to understand and more useful to the people who use governmental financial information to make decisions.

*Management’s Discussion and Analysis* – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the City’s financial activities in the form of “management’s discussion and analysis” (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.

*Government-Wide Financial Statements* – The reporting model includes financial statements prepared using full accrual accounting for all of the City’s activities. This approach includes not just current assets and liabilities but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

*Statement of Net Position* – The statement of net position is designed to display the financial position of the primary government (government and business-type activities). The City now reports all capital assets in the government-wide statement of net position and reports depreciation expense – the cost of “using up” capital assets – in the statement of activities. The net position of the City are broken down into three categories – 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

*Statement of Activities* – The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the City’s functions. The expense of individual functions is compared to the revenue generated directly by the function.

Accordingly, the City has recorded capital and certain other long-term assets and liabilities in the statement of net position, and has reported all revenues and all the cost of providing services under the accrual basis of accounting in the statement of activities.

**(2) Governmental Accounting Standards Board Statement No. 36**

The City adopted the provisions of GASB Statement No. 36, *Receipt Reporting for Certain Shared Nonexchange Revenues*. This statement amends GASB Statement No. 33 with respect to the manner in which shared nonexchange revenues are accounted for by recipient governments.

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Implementation of Accounting Principles (Continued)**

**(3) Government Accounting Standards Board Statement No. 37**

The City adopted the provisions of GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*. This statement amends GASB Statement No. 34 to either 1) clarify certain provisions or 2) modify other provisions that GASB believes may have unintended consequences in some circumstances. Accordingly, the City considered the effects of this statement when adopting the provisions of GASB Statement No. 34 as previously described.

**(4) Governmental Accounting Standards Board Statement No. 38**

The City adopted the provisions of GASB Statement No. 38, *certain Financial Statement Note Disclosures*. This statement modifies, establishes, and rescinds certain financial statement disclosure requirements. Accordingly, certain footnote disclosures have been revised to conform to the provisions of GASB Statement No. 38.

**(5) Governmental Accounting Standards Board Interpretation No. 6**

The City adopted the provisions of GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. This interpretation clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or could arise, in interpretation and practice. This interpretation impacts the fund level financial statements (governmental funds only, not proprietary fiduciary funds) required by GASB Statement No. 34 but has no direct impact on the government-wide financial statements.

**(6) Governmental Accounting Standards Board Statement No. 54**

The City adopted the provisions of GASB Statement No. 54, *Fund Balance and Government Fund Type Definitions*. Accordingly, certain fund balances have been classified by the new definitions in the statement.

**(7) Governmental Accounting Standards Board Statement No. 63**

The Governmental Accounting Standards Board (GASB) issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and also requires related disclosures. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011.

**(8) Governmental Accounting Standards Board Statement No. 65**

In addition, the GASB has issued Statement No. 65 *Items Previously Reported as Assets and Liabilities*. This Statement specifies the items that were previously reported as assets and liabilities that should now be reported as deferred outflows of resources, deferred inflows of resources, outflows of resources or inflows of resources. Since this Statement closely correlates to Statement No. 63, the City has elected to early implement the provisions of this statement.

**(9) Governmental Accounting Standards Board Statement No. 68**

GASB 68 (amending GASB 27) became effective for financial statements for fiscal years beginning after June 15, 2014. Statement No. 68 establishes financial reporting standards for state and local government employers with pension plans that are administered or equivalent arrangements. The objective of GASB 68 is to improve the usefulness of the information included in employer financial statements.

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Implementation of Accounting Principles (Continued)**

**(9) Governmental Accounting Standards Board Statement No. 68 (Continued)**

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

**F. Budgets and Budgetary Accounting**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to May 1<sup>st</sup>, the City Manager submits to the Mayor and City Council a proposed operating budget for the fiscal year commencing the following July 1<sup>st</sup>. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted by the City to obtain taxpayer comments.
3. Prior to July 1<sup>st</sup>, the budget is legally enacted through passage of an ordinance.
4. The City Manager is authorized to transfer budgeted amounts within a department of any fund; however, any revisions that alter the total expenditures of any department or fund must be approved by the Mayor and City Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Capital Projects Funds. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
6. Budgets for the General Fund, Special Revenue Funds and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles.

Budgeted amounts are as originally adopted, or as amended by the City Council. Individual amendments were not material in relation to the original appropriations. All appropriations lapse at year end.

**G. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, or other commitments for the expenditures of funds are recorded in order to restrict that portion of the applicable appropriation, is employed in the governmental funds. Open encumbrances are reported as restrictions of fund equities, since the commitments will be honored through subsequent years' budget appropriations. Encumbrances do not constitute expenditures or liabilities.

**H. Restricted Assets**

The Utilities, based on certain Tennessee Valley Authority requirements for bond and administrative covenants, are required to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments) that can be used only to service outstanding debt. As approved, other amounts are restricted by the City, such as construction and paying agent accounts.

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Pooled Cash Investments**

The City pools cash resources of some of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. Interest earned on pooled cash investments in the bank money market account is allocated weekly to the participating accounts based on their share of the invested cash balance.

**J. Property Taxes**

The City's property taxes, levied on or about October 1, become delinquent on March 1. Property taxes attach as an enforceable lien on property January 1, and are reflected as receivables and deferred revenue in the financial statements. The county tax assessor provides the property assessment but the City bills and collects its own taxes. Penalties and interest on delinquent taxes are recognized when collected.

**K. Capital Assets and Depreciation**

Property, plant and equipment of all funds are stated at historical cost. Donated fixed assets are stated at their fair market value on the date donated. Governmental fund fixed assets are recorded in the General Fixed Asset Account Group and are not depreciated. Fixed assets are recorded in the government-wide financial statements and are depreciated using the straight-line method. Proprietary fund fixed assets are recorded in the respective funds and depreciated using the straight-line method. Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements	25 – 40 years
Transportation equipment	05 – 10 years
Furniture, fixtures, and equipment	05 – 10 years

**L. Capitalized Interest**

Interest costs are capitalized when incurred by proprietary funds on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt arrangements associated with the construction of the assets is offset against interest costs in determining the amount to be capitalized.

**M. Amortization**

Regulatory bonded debt expense of the utility fund is being amortized over the terms of the related bond issues, based on GASB 65 and regulatory requirements.

**N. Materials and Supplies**

The City's and Utilities' inventories of materials and supplies are stated at weighted average cost, using first-in, first-out method.

**O. City Retirement Plan**

The City participates in the Tennessee Consolidated Retirement System, an employee benefit plan established as an individual entity, and accrues all proportionate costs associated with the operation and administration of the Plan. However, control over the operation and administration of the Plan, including investment decisions, is vested in the State of Tennessee along with custody of the Plan assets. The City also offers a deferred compensation plan to its full time employees.

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**P. Utility Retirement Plan**

The Utilities participate in the Tennessee Consolidated Retirement System as described in Note O above for the city. The Utilities Board also has a defined contribution retirement plan available to all eligible employees.

**Q. Compensated Absences**

The City and Utilities recognize the cost of sick leave and vacation pay as it is earned. Sick leave pay benefits accumulate to a maximum of 180 days for both City and Utilities employees. Vacation pay for all City employees may be accrued up to twice the employees' annual vacation period. Utilities employees may accrue a maximum annual leave of 30 days plus their annual rate of accumulation. In government funds, compensated absences (in accordance with GASB 16) that are expected to be liquidated with expendable (current) available financial resources are reported as an expenditure and fund liability in the fund that will pay for the compensated absences. The remainder of the compensated absences liability is reported in the General Long-Term Debt Account. In the proprietary funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

**R. Fund Balances**

Governmental fund equity is classified as fund balance. During the year ended June 30, 2011, the City implemented Governmental Accounting Standards Board (GASB) Statement 54, Fund Balance and Government Fund Type Definitions. Under this statement fund balances are classified into the following categories:

- a. Nonspendable fund balances comprise those amounts that are legally or contractually required to be maintained intact.
- b. Restricted fund balances comprise those amounts constrained to be used for a specific purpose by external parties, constitution provisions or enabling legislation.
- c. Committed fund balances comprise those amounts constrained by the government itself using its highest level of governing body (commission) using its highest level of authority (ordinance).

This amount can also include amounts needed to balance the next year's budget when the budget is approved by ordinance.

- d. Assigned fund balances are amounts intended to be used for a specific purpose by the governing body through action other than the highest level of authority or an official expressly authorized by the governing body.
- e. Unassigned fund balances are any amounts other than those described above and are available for any purpose.

The City has no formal policy with regard to classifying expenditures among the various classifications. Thus, the default provision under GASB Statement 54 apply expenditures first to restricted resources, then to committed resources, then to assigned resources, and finally to unassigned resources. No City official is granted the authority to assign fund balance. In addition, the City has no formal policy with regard to stabilization funds.

**S. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**T. Comparative Total Data**

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative data (i.e., presentation of prior year's totals by fund type) have not been presented in each of the statements, since their inclusion would make the statements unduly complex and difficult to read.

**U. Reclassifications**

Certain prior year assets, liabilities, equity, revenues and expenditures (comparative data) of the General Fund, Special Revenue Funds, and Enterprise Funds have been reclassified to facilitate comparison with June 30, 2015 amounts. The reclassification causes no effect on the "excess of revenues and other sources over expenditures and other uses" or on beginning fund equities.

**V. New Fund**

During the current year, the City established a new capital project fund to account for recreation improvements to the swimming pool.

**NOTE 2 – STATEMENT OF CASH FLOWS**

For the purpose of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with an original maturity of less than three months when purchased to be cash equivalents.

**NOTE 3 – CONCENTRATION OF CREDIT RISK**

The Loudon Utilities Board provides electric, gas, water, and sewer services to the City of Loudon and portions of Loudon and Monroe Counties. The Utilities grant credit to its customers, substantially all of whom are local businesses and residents, by requiring payment generally within 15 days of billing. A significant portion of the operations are attributable to a relatively small number of industrial plants.

**NOTE 4 – CAPITAL ASSETS**

Capital assets are stated at cost. Below is a summary of Changes in Capital Assets used in Governmental Activities:

	<b><u>Balance</u></b> <b><u>July 1, 2014</u></b>	<b><u>Additions</u></b>	<b><u>Reclassifications/</u></b> <b><u>Deletions</u></b>	<b><u>Balance</u></b> <b><u>June 30, 2015</u></b>
Land	\$ 2,075,991	\$ -	\$ -	\$ 2,075,991
Infrastructure	39,668,886	1,333,892	-	41,002,778
Buildings	4,289,176	-	-	4,289,176
Furniture and Equipment	<u>4,926,854</u>	<u>518,434</u>	<u>(43,503)</u>	<u>5,401,785</u>
Total Capital Assets	50,960,907	1,852,326	(43,503)	52,769,730
Less: Accumulated depreciation	<u>(32,939,745)</u>	<u>(1,565,134)</u>	<u>212,748</u>	<u>(34,292,131)</u>
Capital assets, net of accumulated depreciation	<b><u>\$ 18,021,162</u></b>	<b><u>\$ 287,192</u></b>	<b><u>\$ 169,245</u></b>	<b><u>\$ 18,477,599</u></b>

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 4 – CAPITAL ASSETS (Continued)**

A summary of business type capital assets at June 30, 2015 is as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2015</u>
Land - nondepreciable	\$ 2,230,489	\$ -	\$ -	\$ 2,230,489
Electric distribution plant	41,318,984	286,143	-	41,605,127
Gas distribution plant	19,554,049	401,225	-	19,955,274
Sewer treatment and distribution plant	28,420,558	-	-	28,420,558
Water treatment and distribution plant	32,235,230	2,480,942	-	34,716,172
Construction in progress	19,476,004	7,306,140	(2,882,167)	23,899,977
Less:				
Accumulated depreciation	<u>(53,584,528)</u>	<u>(3,013,099)</u>	<u>249,585</u>	<u>(56,348,042)</u>
<b>Total</b>	<b><u>\$ 89,650,786</u></b>	<b><u>\$ 7,461,351</u></b>	<b><u>\$ (2,632,582)</u></b>	<b><u>\$ 94,479,555</u></b>

Depreciation expense was charged to functions/programs of the City as follows:

**Governmental activities:**

General Government	\$ 1,310,356
Police	18,938
Recreation	201,158
Highways and streets	2,766
Sanitation	<u>31,916</u>

**Total depreciation expense – governmental  
activities**

**\$ 1,565,134**

**Business – type activities:**

Water and sewer	\$ 1,478,363
Electric	1,075,483
Gas	<u>459,253</u>

**Total depreciation expense – business-type  
activities**

**\$ 3,013,099**

The City uses the straight-line depreciation method for property, plant and equipment based on the following estimated useful lives by major class of depreciable fixed assets:

<u>Class</u>	
Building and Improvements	40-50 years
Machinery and equipment	4-10 years
Water and sewer systems	50 years
Infrastructure	20-50 years

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 5 – CASH AND TEMPORARY INVESTMENTS**

In order to provide a safe temporary medium for investment of idle funds, municipalities are authorized by TCA 6-56-106 to invest in the following:

- (1) Bonds, notes, or treasury bills of the United States;
- (2) Non-convertible debt securities of certain issuers;
- (3) Other obligations which are guaranteed as to principal and interest by the United States or any of its agencies;
- (4) Certificates of deposit at state and federal chartered banks and savings and loan associations;
- (5) Obligations of the United States or its agencies under a repurchase agreement if approved as an authorized investment by the State Director of Local Finance;
- (6) Money market funds whose portfolios consist of any of the foregoing investments if approved as an authorized investment by the State Director of Local Finance; and
- (7) The Local Government Investment Pool under which local monies are transferred to and invested with the State Treasurer's cash portfolio.

Cash and investments include bank balances and investments that at the balance sheet date were either entirely insured or collateralized with securities held by the Tennessee Investment Collateral Pool.

Total cash and investments at a carrying amount of \$38,613,432 at June 30, 2015 are classified as follows:

<u>Type</u>	<u>Amount</u>
Local financial institutions -	
Checking accounts .....	\$ 5,676,750
Checking accounts – restricted.....	2,014,812
Local financial institutions:	
Temporary investment account .....	<u>30,921,870</u>
<b>Total .....</b>	<b><u>\$ 38,613,432</u></b>

The State Pooled Investment Fund is governed by the State Funding Board in accordance with Tennessee Code Annotated. The Funding Board is comprised of the State Treasurer, the Comptroller, the Commissioner of Finance and Administration, the Secretary of State, and the Governor. Reporting is done monthly, quarterly, and annually and there are regularly scheduled meetings. The Funding Board has developed an Investment Policy which meets SEC 2a-7 requirements and state law.

Additional financial information regarding the Local Government Investment Pool is available from the Local Government Investment Pool, P. O. 198785, Nashville, Tennessee 37219-8785 (telephone (615) 532-1163).

(Continued)



**CITY OF LOUDON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 6 – CAPITAL LEASE**

In 1999, the City entered into a 20 year lease agreement with the United States Postal Service for land and a building constructed by the City. The lease term is from March 29, 2000 to March 28, 2020. The Postal Service will pay the City an annual rental of \$117,018. The Postal Service will acquire the land and improvements at the end of the 20 year term for \$10.

The following is a schedule of the future minimum lease payments receivable as of June 30, 2015:

<u>Year ending June 30,</u>	<u>Amount</u>
2015	\$ 117,018
2016 and thereafter	<u>438,822</u>
Investment in sales type lease	<u><b>\$ 555,840</b></u>

**NOTE 7 – DEFERRED INFLOWS/OUTFLOWS OF RESOURCES**

A schedule of deferred inflows and outflows of unearned revenues/expenses as of June 30, 2015 follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Water and Sewer Fund</u>	<u>Electric Fund</u>	<u>Gas Fund</u>
Pension – GASB 68 – deferred outflows of resources	<u><b>\$ 471,053</b></u>		<u><b>\$ 950,636</b></u>	<u><b>\$ 46,321</b></u>	<u><b>\$ 17,099</b></u>
General Fund Property Taxes Levied for 2015 – deferred inflows of resources	<u><b>\$3,507,542</b></u>				
Post Office Fund Capital lease receivable – deferred inflows of resources		<u><b>\$ 555,840</b></u>			
Post Office Fund: Capital lease – deferred outflows of resources		<u><b>\$ 438,822</b></u>			
Water and Sewer Fund – deferred (regulatory charges) inflows of resources – bond premium			<u><b>\$ 608,508</b></u>		
Water and Sewer – deferred (regulatory charges) outflows of resources - bond issuance costs			<u><b>\$ 230,738</b></u>		
Pension – GASB 68 – deferred inflows	<u><b>\$ 670,646</b></u>		<u><b>\$ 305,543</b></u>	<u><b>\$ 217,118</b></u>	<u><b>\$ 89,365</b></u>

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 8 – GENERAL LONG-TERM DEBT**

General long-term debt as of June 30, 2015 consists of the following:

	<b><u>Total</u></b>	<b><u>Current</u></b>	<b><u>Long-Term</u></b>
General Obligation Capital Outlay note, Series 2009 – payable in annual payments ranging from \$106,000 in 2010 to \$142,000 in 2016 plus interest at an annual rate of 4.40%.	\$ 142,000	\$ 142,000	\$ -
Taxable Public Improvement Revenue Bond, Series 2000. Payable in annual payments ranging from \$29,551 in 2002 to \$104,165 in 2020, plus interest at 7.25%.	455,014	78,729	376,285
Industrial Park Revenue and Tax Bonds dated June 29, 1976 – 5%, payable in varying amounts from \$11,000 in 2002 to \$23,000 in 2016	23,000	23,000	-
General Obligation Refunding Bonds, Series 2012 – payable in annual payments ranging from \$800,000 in 2013 to \$160,000 in 2025 plus interest at 2% (City percent of bond is 75.9% and Water Department is 24.1%).	4,430,000	750,000	3,680,000
General Obligation Capital Outlay Note - Series 2014 – payable in annual payments ranging from \$93,000 in 2016 to \$136,000 in 2027 plus interest at 2.86%.	<u>1,400,000</u>	<u>93,000</u>	<u>1,307,000</u>
Subtotal – Governmental Activities	<u>6,450,014</u>	<u>1,086,729</u>	<u>5,363,285</u>

Enterprise fund long-term debt as of June 30, 2015 consists of the following:

	<b><u>Total</u></b>	<b><u>Current</u></b>	<b><u>Long-Term</u></b>
Water and Sewer Revenue Bonds, Series 2012A - 5.00%, payable annually in varying amounts from \$200,000 in 2014 to \$885,000 in 2032.	10,055,000	255,000	9,800,000
Water System Revenue Bonds, Series 2012B – 5.00%, payable in varying amounts from \$55,000 in 2014 to \$220,000 in 2032, plus interest.	2,505,000	65,000	2,440,000
Waterworks Refunding Revenue Bonds, Series 2012 – 5.00%, payable in annual installments ranging from \$206,028 in 2014 to \$38,555 in 2025, plus interest.	<u>1,067,492</u>	<u>180,727</u>	<u>886,765</u>
<b>Total bonds - Subtotal</b>	<u>13,627,492</u>	<u>500,727</u>	<u>13,126,765</u>

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 8 – GENERAL LONG-TERM DEBT (Continued)**

**Notes:**

General Obligation Capital Outlay Note, Series 2014 -

1.43%, payable August 14, 2017, and semi-annual interest payments on February and August 14

400,000	-	400,000
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Interfund Capital Outlay Note, maximum \$5 million due August 14, 2017 at 1% interest due semi-annually at June 30 and December 31

1,308,432	-	1,308,432
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Water and Sewer Notes – State Revolving Fund Loan Program:

State of TN 92-044	30,786	30,786	-
State of TN 93-061	132,678	50,472	82,206
State of TN 94-075	246,489	122,469	124,020
State of TN 99-018	156,185	21,540	134,645
State of TN DWF 00-036 Water Treatment Plant	3,493,978	349,860	3,144,118
State of TN DWF 00-030 Sunnyside	393,887	41,136	352,751
State of TN 00-143	5,891,483	495,684	5,395,799
State of TN 00-144	1,536,197	77,772	1,458,425
State of TN 07-074	<u>969,000</u>	<u>45,348</u>	<u>923,652</u>
Total Notes - Subtotal	<u>14,559,115</u>	<u>1,235,067</u>	<u>13,324,048</u>

Total Bonds and Notes – Governmental and Business-Type Activities

<u>\$ 34,636,621</u>	<u>\$ 2,822,523</u>	<u>\$ 31,814,098</u>
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In accordance with the bond resolutions, all revenues received by the Departments are used in the following priority:

Electric Department:

1. For payment of current expenses of the system.
2. For payment of principal and interest of the bonds and parity bonds.
3. Deposits in a “Debt Service Reserve Fund” until such fund equals the maximum principal and interest requirements of the bonds and parity bonds for any succeeding fiscal year.

Water and Sewer Department:

1. For payment of current expenses of the system.
2. For payment of principal and interest of the bonds and revenue bonds.

Waterworks (Piney Utility District):

1. For payment of current expenses.

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 8 – GENERAL LONG-TERM DEBT (Continued)**

The City has Water and Wastewater user contracts with Tate & Lyle Ingredients Americas, Inc. which provide for reserve capacities. Quarterly billings are made for fixed costs which directly benefit the Company and include debt service on new and previously existing Water and Wastewater facilities debt, based on the ratio of Tate & Lyle Ingredients Americas, Inc. reserved capacity to total plant capacity. Variable cost billings are made monthly and are computed on a usage basis.

The annual requirements to amortize all bonds and notes outstanding as of June 30, 2015, including interest payments are \$42,852,226 as follows:

<b><u>Fiscal Year</u></b> <b><u>Ending June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2016	\$ 2,822,523	\$ 1,012,156	\$ 3,834,679
2017	2,712,547	935,136	3,647,683
2018	3,199,632	861,108	4,060,740
2019	2,696,238	781,316	3,477,554
2020	<u>2,418,477</u>	<u>705,872</u>	<u>3,124,349</u>
Subtotal	<u>13,849,417</u>	<u>4,295,588</u>	<u>18,145,005</u>
2021	2,361,496	633,151	2,994,647
2022	2,112,908	568,632	2,681,540
2023	2,168,634	508,625	2,677,259
2024	2,210,383	446,066	2,656,449
2025	<u>1,972,275</u>	<u>387,400</u>	<u>2,359,675</u>
Subtotal	<u>10,825,696</u>	<u>2,543,874</u>	<u>13,369,570</u>
2026	1,504,559	331,854	1,836,413
2027	1,234,448	284,735	1,519,183
2028	1,132,132	243,406	1,375,538
2029	1,120,900	202,788	1,323,688
2030	<u>1,174,764</u>	<u>154,974</u>	<u>1,329,738</u>
Subtotal	<u>6,166,803</u>	<u>1,217,757</u>	<u>7,384,560</u>
2031	1,228,712	104,776	1,333,488
2032	1,185,237	52,794	1,238,031
2033	61,980	816	62,796
2034	<u>10,344</u>	<u>-</u>	<u>10,344</u>
Subtotal	<u>2,486,273</u>	<u>158,386</u>	<u>2,644,659</u>
Committed Funds	5,000,000	-	5,000,000
Less: Undrawn Funds	<u>(3,691,568)</u>	<u>-</u>	<u>(3,691,568)</u>
Totals	<u>\$ 34,636,621</u>	<u>\$ 8,215,605</u>	<u>\$ 42,852,226</u>

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 8 – GENERAL LONG-TERM DEBT (Continued)**

Total Bonds and Notes are classified in the financial statements as follows:

Business – Type (Proprietary)	\$ 28,186,607
Government activities	<u>6,450,014</u>
Total Bonds and Notes Outstanding	<b><u>\$ 34,636,621</u></b>

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2015:

	<b>General Long-term Debt</b>	<b>Business – Type Activities Revenue Bonds</b>	<b>Notes</b>	<b>Total</b>
Long-term debt balance at July 1, 2014	\$ 6,165,421	\$ 14,365,750	\$ 14,065,251	\$ 34,596,422
Deduct bonds and notes paid	(1,115,407)	(738,258)	(1,170,048)	(3,023,713)
Add bonds and notes issued	<u>1,400,000</u>	<u>-</u>	<u>1,663,912</u>	<u>3,063,912</u>
<b>Long-term debt balance at June 30, 2015</b>	<b><u>\$ 6,450,014</u></b>	<b><u>\$ 13,627,492</u></b>	<b><u>\$ 14,559,115</u></b>	<b><u>\$ 34,636,621</u></b>

**NOTE 9 – CITY RETIREMENT PLAN**

**General Information about the Pension Plan**

*Plan Description*

Employees of the City of Loudon, Tennessee are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Benefits Provided*

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 9 – CITY RETIREMENT PLAN (Continued)**

*Benefits Provided (Continued)*

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2<sup>nd</sup> of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

*Employees Covered by Benefit Terms*

At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	25
Inactive employees entitled to but not yet receiving benefits	23
Active employees	<u>50</u>
	<u>98</u>

*Contributions*

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for the City were \$603,240. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Net Pension Liability (Asset)**

The City's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

*Actuarial Assumptions*

The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 9 – CITY RETIREMENT PLAN (Continued)**

*Actuarial Assumptions (Continued)*

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012; (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	<u>1%</u>
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based in a blending of the three factors described above.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the City will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 9 – CITY RETIREMENT PLAN (Continued)**

**Changes in the Net Pension Liability (Asset)**

	<b>Total Pension Liability (a)</b>	<b>Increase (Decrease) Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a) – (b)</b>
<b>Balance at June 30, 2013</b>	\$ 9,737,277	\$ 8,554,928	\$ 1,182,349
<b>Changes for the year:</b>			
Service cost	206,568	-	206,568
Interest	734,049	-	734,049
Differences between expected and actual experience	(51,924)	-	(51,924)
Contributions – employer	-	453,274	(453,274)
Contributions – employees	-	-	-
Net investment income	-	1,429,466	(1,429,466)
Benefit payments, including refunds of employee contributions	(313,058)	(313,058)	-
Administration expense	-	(2,314)	2,314
<b>Net changes</b>	<u>575,635</u>	<u>1,567,368</u>	<u>(991,733)</u>
<b>Balance at June 30, 2014</b>	<u>\$ 10,312,912</u>	<u>\$ 10,122,296</u>	<u>\$ 190,616</u>

*Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate.*

The following presents the net pension liability (asset) of the City calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Discount (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City of Loudon's net pension liability (asset)	\$ 1,535,555	\$ 190,616	\$ (938,031)

**Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Pension Expense.* For the year ended June 30, 2015, the City recognized pension expense of \$132,187.

*Deferred Outflows of Resources and Deferred Inflows of Resources.*

For the year ended June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 44,506
Net difference between projected and actual earnings on pension plan investments	-	626,140
Contributions subsequent to the measurement date of June 30, 2014	<u>471,053</u>	<u>-</u>
<b>Total</b>	<u>\$ 471,053</u>	<u>\$ 670,646</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2014," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

(Continued)



**CITY OF LOUDON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 9 – CITY RETIREMENT PLAN (Continued)**

**Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30:</b>	
2016	\$ (163,953)
2017	(163,953)
2018	(163,953)
2019	(163,953)
2020	(7,418)
Thereafter	(7,418)

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

**Payable to the Pension Plan**

At June 30, 2015, the City reported a payable of \$190,616 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

**NOTE 10 – UTILITIES RETIREMENT PLAN**

**General Information about the Pension Plan**

*Plan Description*

Employees of Loudon Utilities are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Benefits Provided*

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under eligibility criteria.

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 10 – UTILITIES RETIREMENT PLAN (Continued)**

*Benefits Provided (Continued)*

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2<sup>nd</sup> of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

*Employees Covered by Benefit Terms*

At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	17
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>58</u>
	<u>78</u>

*Contributions*

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The Utilities makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for the Utilities were \$88,525 based on a rate of 11 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the Utilities' state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Net Pension Liability (Asset)**

The Utilities' net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

*Actuarial Assumptions*

The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 10 – UTILITIES RETIREMENT PLAN (Continued)**

*Actuarial Assumptions (Continued)*

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	<u>1%</u>
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based in a blending of the three factors described above.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the Utilities will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 10 – UTILITIES RETIREMENT PLAN (Continued)**

**Changes in the Net Pension Liability (Asset)**

	<b>Total Pension Liability (a)</b>	<b>Increase (Decrease) Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a) – (b)</b>
<b>Balance at June 30, 2013</b>	\$ 8,176,547	\$ 7,986,860	\$ 189,687
<b>Changes for the year:</b>			
Service cost	346,583	-	346,583
Interest	627,696	-	627,696
Differences between expected and actual experience	143,409	-	143,409
Contributions – employer	-	328,130	(328,130)
Contributions – employees	-	190,774	(190,774)
Net investment income	-	1,342,055	(1,342,055)
Benefit payments, including refunds of employee contributions	(307,714)	(307,714)	-
Administration expense	-	(2,516)	2,516
<b>Net changes</b>	<u>809,974</u>	<u>1,550,729</u>	<u>(740,755)</u>
<b>Balance at June 30, 2014</b>	<u>\$ 8,986,521</u>	<u>\$ 9,537,589</u>	<u>\$ (551,068)</u>

*Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate.*

The following presents the net pension liability (asset) of the Utilities calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Discount (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Loudon Utilities' net pension liability (asset)	\$ 616,340	\$ (551,068)	\$ (1,532,613)

**Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Pension Expense.* For the year ended June 30, 2015, the Utilities recognized pension expense of \$50,064.

*Deferred Outflows of Resources and Deferred Inflows of Resources*

For the year ended June 30, 2015, the Utilities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 125,483	\$ 23,854
Net difference between projected and actual earnings on pension plan investments	-	588,172
Contributions subsequent to the measurement date of June 30, 2014	888,573	-
<b>Total</b>	<u>\$ 1,014,056</u>	<u>\$ 612,026</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2014,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 10 – UTILITIES RETIREMENT PLAN (Continued)**

**Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

*Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)*

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30:</b>	
2016	\$ (129,117)
2017	(129,117)
2018	(129,117)
2019	(129,117)
2020	17,926
Thereafter	35,852

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

**Payable to the Pension Plan**

At June 30, 2015, the Utilities reported a payable of \$47,467 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

**NOTE 11 – CITY DEFERRED COMPENSATION PLAN**

Employees of the City of Loudon may participate in a deferred compensation plan adopted under the provisions of *Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments)*.

Effective July 1, 2001, the deferred compensation plan is available to all employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

The deferred compensation plan is administered by the International City/County Management Association (ICMA). As required by the *Internal Revenue Code Section 457 (g)*, the assets of the plan are placed in a trust. Therefore, the assets are not available to the general creditors of the City. As a result, the City does not account for these assets in an agency fund.

During the fiscal year ended June 30, 2015 the city's employees contributed \$47,116 to the plan.

**NOTE 12 – UTILITIES DEFINED CONTRIBUTION PLAN**

*Plan Description:*

The Board of Public Utilities of Loudon, Tennessee has established a defined contribution pension plan under Section 401(k) of the Internal Revenue Code. The Board makes contributions to each individual account equal to 11% of each participant's annual compensation. Each participant is permitted to contribute up to 15% of annual compensation on a tax-deferred basis, subject to the limitations under Internal Revenue Code Section 401(k). Contribution levels and benefit provisions are established by the Board. The Plan is administered by First Tennessee Bank Trust Department.

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 12 – UTILITIES DEFINED CONTRIBUTION PLAN (Continued)**

*Plan Description (Continued)*

At June 30, 2015 covered participants in the plan were segregated as follows:

Active:	
Partially vested	-
Fully vested	<u>30</u>
Total Active	<u>30</u>
Terminated, but vested	<u>3</u>

All employees are eligible to enter the plan upon hiring. Vesting accrues as follows:

Full Years of Credited Employment at Termination	Percentage of Account Vested
Less than 1 year	0
1	20%
2	40%
3	60%
4	80%
5 years or more	100%

*Funding Status and Progress:*

Information on this plan as of June 30, 2015 is summarized as follows:

Covered payroll	\$ 804,773
Required employer contributions (11% of covered payroll)	88,525
Actual employer contributions (11% of covered payroll)	88,525
Voluntary employee contributions	52,970

**NOTE 13 – CITY OF LOUDON – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**I. CITY OF LOUDON:**

**(A) BACKGROUND**

On July 1, 2008, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension*. This standard addresses how local governments should account for and report their costs related to post-employment health care and other non-pension benefits. Historically, the City's post retirement benefits were funded on a pay-as-you-go basis, but GASB 45 requires that the City accrue the cost of the retiree health subsidy and any other post-employment benefits during the period of the employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the City. The funding methodology mirrors the funding approach used for pension benefits.

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 13 – CITY OF LOUDON – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**  
**(Continued)**

**J. CITY OF LOUDON:**

**(B) PLAN DESCRIPTION**

The City established a policy that provides medical insurance benefits to eligible retirees and family members. No employee hired after December 1, 1988 shall be eligible for continuation of medical insurance benefits for themselves or their dependents when they retire. An employee who was hired before December 1, 1988 who has 30 years of full-time employment with the City will have their medical insurance continued until eligible for Medicare. An employee who was hired before December 1, 1988 with less than 30 years of service, but is eligible for retirement benefits under TCRS will have their medical insurance paid for if they retire no more than five years prior to being eligible for Medicare. An employee retiring on occupational disability is eligible for coverage under the plan immediately, and will continue until such employee is eligible for Medicare.

At June 30, 2013, the date of the biennial actuarial valuation, membership included:

	<u>Primary Government</u>
Retirees and beneficiaries receiving benefits	6
Terminated employees entitled to, but not yet receiving benefits	0
Active employees	10

\* Plan was closed to anyone hired on or after December 1, 1988.

**(C) FUNDING POLICY**

GASB Statement No. 45 requires recognition of the current expense of OPEB based on the City's annual required contribution, but does not require the funding of the related liability.

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the City (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize and unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

**(D) ANNUAL OPEB COST AND NET OPEB OBLIGATION**

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for June 30, 2015 (based on the 6/30/13 actuarial) is as follows:

Annual required contribution (ARC) for June 30, 2015	
Annual Required Contribution	\$ 26,735
Amortization of Unfunded Accrued Liability	41,022
Interest on net OPEB obligation	<u>1,342</u>
Total ARC	69,099
Payments made	<u>(72,616)</u>
Increase (decrease) in net OPEB obligation	(3,517)
Net OPEB obligation – beginning of year	<u>39,598</u>
<b>Net OPEB obligation – end of year</b>	<b><u><u>\$ 36,081</u></u></b>

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 13 – CITY OF LOUDON – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**  
**(Continued)**

**I. CITY OF LOUDON (Continued):**

**(D) ANNUAL OPEB COST AND NET OPEB OBLIGATION (Continued)**

Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employers are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

For the year ended June, 2015, the City's OPEB funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability Entry Age	Unfunded AAL(UAAL) (Funding Excess)	Funded Ratio	Covered Payroll	UAAL (Funding Excess as a Percentage of Covered Payroll)
6/30/09	\$ -	\$1,989,377	\$1,989,377	0.0%	\$2,264,280	87.9%
6/30/10	-	2,009,352	2,009,352	0.0%	2,354,851	85.3%
6/30/11	-	1,246,029	1,246,029	0.0%	2,270,898	54.9%
6/30/12	-	1,257,873	1,257,873	0.0%	2,369,898	53.3%
6/30/13	-	851,492	851,492	0.0%	2,276,785	37.4%
6/30/14	-	863,842	863,842	0.0%	2,367,857	36.5%
6/30/15	-	873,239	873,239	0.0%	2,462,571	35.5%

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of evaluation. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**(E) ACTUARIAL METHOD AND ASSUMPTION**

The ARC for fiscal year ended June 30, 2015 was determined as part of the June 30, 2013, actuarial valuation using the entry age normal method – a method under which the Actuarial Present Value of the Projected Benefits is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit ages.

Significant assumptions used in the actuarial valuation include:

- a. A rate of return on the investment of present and future assets of 4 percent per year compounded annually.
- b. An annual healthcare cost trend rate of 10 percent initially reduced by decrements to an ultimate rate of 5 percent after 10 years.

The actuarial value of the OPEB assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a ten-year period. Any excess of these assets over actuarial accrued liability is amortized as a level percentage of projected payroll over a closed 30 year period. The remaining amortization period is thirty years.

(Continued)



**CITY OF LOUDON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 13 – CITY OF LOUDON – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**  
**(Continued)**

**II. LOUDON UTILITIES – POST RETIREMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**(A) BACKGROUND**

On July 1, 2008, the Loudon Utilities adopted the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pension*. This standard addresses how local governments should account for and report their costs related to post-employment health care and other non-pension benefits, such as the Utility's retiree health benefit subsidy. Historically, the Utility's subsidy was funded on a pay-as-you-go basis, but GASB 45 requires that the Utility accrue the cost of the retiree health subsidy and any other post-employment benefits during the period of the employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the Utility. The funding methodology mirrors the funding approach used for pension benefits.

**(B) PLAN DESCRIPTION**

The Utility maintains a policy that provides medical insurance benefits to eligible retirees and their spouses. In order to participate, retirees must have reached the age of 55 or be on disability retirement and must have health benefit coverage in the plan provided by the Utility.

**(C) FUNDING POLICY**

At June 30, 2015 the date of the biennial actuarial valuation, membership included:

	<u>Loudon Utilities</u>
Retirees and beneficiaries receiving benefits	7
Terminated employees entitled to, but not yet receiving benefits	0
Active employees	48

\* Plan was closed to anyone hired on or after May 1, 2005.

GASB Statement No. 45 requires recognition of the current expense of OPEB based on the Utility's annual required contribution, but does not require the funding of the related liability.

The Utility's annual OPEB cost (expense) is calculated based on the annual required contribution of the Utility (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

**NOTE 13 – CITY OF LOUDON – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**  
**(Continued)**

**II. LOUDON UTILITIES – POST RETIREMENT BENEFITS OTHER THAN PENSIONS (OPEB)**  
**(Continued)**

**(D) ANNUAL OPEB COST AND NET OPEB OBLIGATION**

The Utility's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for June 30, 2015 (based on the 6/30/13 actuarial) is as follows:

Annual required contribution (ARC) for June 30, 2015	
Annual Required Contribution	\$ 160,986
Amortization of Unfunded Accrued Liability	207,072
Interest	<u>7,289</u>
Total ARC	375,347
Payments made	<u>(200,277)</u>
Increase (decrease) in net OPEB obligation	175,070
Net OPEB obligation – beginning of year	<u>1,037,956</u>
<b>Net OPEB obligation – end of year</b>	<b><u>\$ 1,213,026</u></b>

Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employers are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

For the year ended June, 2015, the Utility's OPEB funding progress is as follows:

Actuarial Valuation <u>Date</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued Liability <u>Entry Age</u>	Unfunded AAL(UAAL) (Funding <u>Excess</u> )	Funded <u>Ratio</u>	Covered <u>Payroll</u>	UAAL (Funding Excess as a Percentage of Covered <u>Payroll</u> )
6/30/09	\$ -	\$5,071,732	\$ 5,071,732	0.0	\$ 4,011,732	126.4%
6/30/10	-	5,383,578	5,383,578	0.0	4,172,201	129.0%
6/30/11	-	4,471,463	4,471,463	0.0	4,208,193	106.3%
6/30/12	-	4,774,295	4,471,463	0.0	4,376,521	109.1%
6/30/13	-	4,596,094	4,596,094	0.0	3,989,593	115.2%
6/30/14	-	4,793,511	4,793,511	0.0	4,149,176	115.0%
6/30/15	-	4,990,288	4,990,288	0.0	4,315,143	115.6%

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of evaluation. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

**NOTE 13 – CITY OF LOUDON – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**  
**(Continued)**

**II. LOUDON UTILITIES – POST RETIREMENT BENEFITS OTHER THAN PENSIONS (OPEB)**  
**(Continued)**

**(E) ACTUARIAL METHOD AND ASSUMPTION**

The ARC for fiscal year ended June 30, 2015 was determined as part of the June 30, 2013, actuarial valuation using the entry age normal method – a method under which the Actuarial Present Value of the Projected Benefits is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit ages.

Significant assumptions used in the actuarial valuation include:

- a. A rate of return on the investment of present and future assets of 4 percent per year compounded annually.
- b. An annual healthcare cost trend rate of 10 percent initially reduced by decrements to an ultimate rate of 5 percent after 10 years.

The actuarial value of the OPEB assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a ten-year period. Any excess of these assets over actuarial accrued liability is amortized as a level percentage of projected payroll over an open 30 year period. The remaining amortization period is thirty years.

**NOTE 14 – TENNESSEE VALLEY AUTHORITY CONTRACT RESTRICTIONS**

The electric system has a power contract with Tennessee Valley Authority (TVA) under which the system purchases all its electric power and is subject to certain restrictions and conditions as provided for in the power contract. Such restrictions include, but are not limited to, prohibitions against furnishing, advancing, lending, pledging, or otherwise diverting electric system funds, revenues, credit or property to other operations of the municipality, and the purchase or payment of, or providing security for, indebtedness or other obligations applicable to such other operations. In addition, the system will not make payments of more than its fair share of amounts equivalent to property taxes or make payments greater than standardized or market prices for property or services from other departments of the municipality.

**NOTE 15 – LEASE COMMITMENTS**

Certain short-term arrangements provide for the Utility's joint utilization of other local utilities' distribution facilities in its systems. Other similar agreements provide for the joint use of the Utility's distribution facilities by other utilities and certain customers. Rental revenues from the above-mentioned arrangements amounted to \$621,846 for the year ended June 30, 2015.

**NOTE 16 – RISK MANAGEMENT ACTIVITIES**

The City is exposed to various risks of loss related to general liability, property liability, employee health and accident insurance, employee life insurance, worker's compensation, and officers' and directors' liability. The City buys commercial coverage for these risks of loss and the City operates internal service funds to manage employee medical, dental, and vision coverage that include additional stop-gap insurance with an outside carrier. The City also carries commercial insurance to cover any significant loss that may result from a claim. Claims have not exceeded insurance coverage in the past three years.

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

**NOTE 17 – FUND BALANCES NONSPENDABLE, RESTRICTED, COMMITTED, ASSIGNED**

Restrictions of fund balance are established to identify third party claims against the City's resources that have not materialized as liabilities at the balance-sheet date and/or to represent financial resources not available for current appropriation or expenditure. Committed fund balances are those amounts contained by the City itself, and assigned fund balances represent amounts to be used for a specific purpose. At June 30, 2015, fund balances are as follows:

	<u>Non-Spendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
General Fund	\$ 1,002	\$ -	\$ -	\$ 1,576,226
Enterprise Funds	-	321,373	-	-
Non-Major Funds:				
Courthouse Revitalization	-	485,126	-	-
Streets	-	204,522	-	-
Drug Enforcement	-	57,573	-	-
Post Office	-	-	39,966	-
Cable TV	-	-	-	123,368
Blair Bend Industrial	-	-	-	604,227
Recreation	-	-	-	192,537
Total General Government	<u>\$ 1,002</u>	<u>\$ 1,068,594</u>	<u>\$ 39,966</u>	<u>\$ 2,496,358</u>

**NOTE 18 – SCHEDULE OF INTERFUND PAYABLES**

Due From:

	<u>General Fund</u>	<u>Maintenance Internal Service Fund</u>	<u>State Street Fund</u>	<u>Totals</u>
Due To:				
Recreation	\$ 114,455	\$ -	\$ -	\$ 114,455
General Fund	-	64,962	20	64,982
	<u>\$ 114,455</u>	<u>\$ 64,962</u>	<u>\$ 20</u>	<u>\$ 179,437</u>

**NOTE 19 – COMMITTED CONSTRUCTION**

As of June 30, 2015, the City of Loudon had the following commitment with respect to unfinished construction in progress:

<u>Project Name</u>	<u>Total Contract or Estimated Amount</u>	<u>Costs Incurred Through June 30, 2015</u>	<u>Estimated Cost to Complete</u>
Electric Utility Projects	\$ 8,500,000	\$ 8,110,922	\$ 389,078
Water and Sewer Projects	<u>19,952,600</u>	<u>18,269,496</u>	<u>1,683,104</u>
	<u>\$ 28,452,600</u>	<u>\$ 26,380,418</u>	<u>\$ 2,072,182</u>

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

**NOTE 20 – IMPLEMENTATION OF NEW ACCOUNTING PRONOUNCEMENT**

In June 2012 the Governmental Accounting Standards Board issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for the fiscal year beginning July 1, 2014. This statement revises existing standards for measuring and reporting pension liabilities for pensions provided by the City to its employees. This Statement requires recognition of a liability equal to the net pension liability, which is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The City implemented this standard effective July 1, 2014. The City's beginning Net Position at that date was restated to reflect the effects of this pronouncement as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net Position, July 1, 2014	\$ 16,687,264	\$ 89,994,558	\$ 106,681,822
Recognition of pension liability	<u>(729,075)</u>	<u>(1,050,156)</u>	<u>(1,779,231)</u>
Restated Net Position, July 1, 2014	<u>\$ 15,958,189</u>	<u>\$ 88,944,402</u>	<u>\$ 104,902,591</u>

**NOTE 21 – EMPLOYEE HEALTH INSURANCE, INTERNAL SERVICE FUND**

The City of Loudon, Tennessee has chosen to establish the Medical Benefits Fund for risks associated with the employee's health insurance plan. The Medical Benefits Fund is accounted for as an internal service fund where assets are set aside for claim settlements. The City retains the risk of loss to a \$45,000 per specific loss. The City has obtained a stop/loss commercial insurance policy to cover claims beyond the \$45,000 per specific loss. The City re-insurance policy does include an aggregate specific of \$67,500.

All full-time employees of the primary government are eligible to participate. A premium charge is allocated to each fund that accounts for full-time employees. This premium charge is based on actuarial estimates of the amounts needed to pay prior and current-year claims and to establish a reserve for catastrophe losses. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The Medical Benefits Fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been incurred but not reported. The process used to compute claims liabilities does not necessarily result in an exact amount.

Changes in the balance of claims liabilities during the past three fiscal years are as follows:

<u>Year Ended June 30,</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims</u>	<u>Liability Balance at Fiscal Year End</u>
2012	\$ 270,219	\$ 1,952,416	\$ 152,300
2013	152,300	2,088,801	152,300
2014	152,300	2,116,506	152,300
2015	152,300	1,716,516	152,300

The City of Loudon carries commercial insurance for all other risks of loss, including general liability, property and casualty, workers' compensation and environmental. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 22 – SUBSEQUENT EVENTS**

The date to which events occurring after June 30, 2015, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is February 26, 2016, which is the date on which the financial statements were issued.

**CITY OF LOUDON, TENNESSEE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
June 30, 2015

**CITY OF LOUDON, TENNESSEE**  
**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**  
Schedule of Changes in Loudon Utilities Net Pension Liability (Asset) and Related  
Ratios Based on Participation in the Public Employee Pension Plan of TCRS  
Last Fiscal Year Ending June 30,

	<u>2014</u>
<b>Total pension liability</b>	
Service Cost	\$ 346,583
Interest	627,696
Changes in benefit terms	-
Differences between actual and expected experience	143,409
Change of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(307,714)</u>
<b>Net change in total pension liability</b>	809,974
<b>Total pension liability – beginning</b>	<u>8,176,547</u>
<b>Total pension liability – ending (a)</b>	<u><u>\$ 8,986,521</u></u>
 <b>Plan fiduciary net position</b>	
Contributions - employer	\$ 328,130
Contributions – employee	190,774
Net investment income	1,342,055
Benefit payments, including refunds of employee contributions	(307,714)
Administrative expense	<u>(2,516)</u>
<b>Net change in plan fiduciary net position</b>	1,550,729
<b>Plan fiduciary net position - beginning</b>	<u>7,986,860</u>
<b>Plan fiduciary net position – ending (b)</b>	<u><u>\$ 9,537,589</u></u>
 <b>Net Pension Liability (Asset) (a) – (b)</b>	<u><u>\$ (551,068)</u></u>
 <b>Plan fiduciary net position as a percentage of total pension liability</b>	106.13%
 <b>Covered-employee payroll</b>	\$ 3,8156,463
 <b>Net pension liability (asset) as a percentage of covered-employee payroll</b>	14.44%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**CITY OF LOUDON, TENNESSEE**  
Schedule of Loudon Utilities Contributions Based on  
Participation in the Public Employee Pension Plan of TCRS  
Last Fiscal Year Ending June 30,

	<u>2014</u>	<u>2015</u>
Actuarially determined contribution	\$ 328,130	\$ 594,930
Contributions in relation to the actuarially determined contribution	<u>328,130</u>	<u>594,930</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 3,815,463	\$ 4,217,992
Contributions as a percentage covered- employee payroll	8.60%	14.10%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.



**CITY OF LOUDON, TENNESSEE**  
Notes to Schedule – Loudon Utilities Retirement Plan (TCRS)

*Valuation Date*

Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013 actuarial valuation.

*Methods and Assumptions Used to Determine Contribution Rates*

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	5 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

**CITY OF LOUDON, TENNESSEE**  
**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**  
**CITY OF LOUDON RETIREMENT PLAN (TCRS)**  
Schedule of Changes in Loudon's Net Pension Liability (Asset) and Related  
Ratios Based on Participation in the Public Employee Pension Plan of TCRS  
Last Fiscal Year Ending June 30,

	<u>2014</u>
<b>Total pension liability</b>	
Service Cost	\$ 206,568
Interest	734,049
Changes in benefit terms	-
Differences between actual and expected experience	(51,924)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(313,058)</u>
<b>Net change in total pension liability</b>	575,635
<b>Total pension liability – beginning</b>	<u>9,737,277</u>
<b>Total pension liability – ending (a)</b>	<u><u>\$ 10,312,912</u></u>
 <b>Plan fiduciary net position</b>	
Contributions – employer	\$ 453,274
Contributions – employee	-
Net investment income	1,429,466
Benefit payments, including refunds of employee contributions	(313,058)
Administrative expense	<u>(2,314)</u>
<b>Net change in plan fiduciary net position</b>	1,567,368
<b>Plan fiduciary net position - beginning</b>	<u>8,554,928</u>
<b>Plan fiduciary net position – ending (b)</b>	<u><u>\$ 10,122,296</u></u>
 <b>Net Pension Liability (Asset) (a) – (b)</b>	<u><u>\$ 190,616</u></u>
 <b>Plan fiduciary net position as a percentage of total pension liability</b>	98.15%
 <b>Covered-employee payroll</b>	\$ 2,449,5683
 <b>Net pension liability (asset) as a percentage of covered-employee payroll</b>	7.63%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Pears will be added to this schedule in future fiscal years until 10 years of information is available.

**CITY OF LOUDON, TENNESSEE**  
Schedule of City of Loudon's Contributions Based on  
Participation in the Public Employee Pension Plan of TCRS  
Last Fiscal Year Ending June 30,

	<u>2014</u>	<u>2015</u>
Actuarially determined contribution	\$ 453,274	\$ 470,280
Contributions in relation to the actuarially determined contribution	<u>453,274</u>	<u>470,280</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,499,568	\$ 2,633,360
Contributions as a percentage covered- employee payroll	18.13%	17.86%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**CITY OF LOUDON, TENNESSEE**  
Notes to Schedule – Loudon Utilities Retirement Plan (TCRS)

*Valuation Date*

Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013 actuarial valuation.

*Methods and Assumptions Used to Determine Contribution Rates*

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	4 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

**CITY OF LOUDON, TENNESSEE**

**COMBINING FUND FINANCIAL STATEMENTS  
NON-MAJOR OTHER GOVERNMENTAL FUNDS**

**JUNE 30, 2015**



**CITY OF LOUDON, TENNESSEE**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**NON-MAJOR OTHER GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**SPECIAL REVENUE FUNDS**

	<b><u>Post Office Fund</u></b>	<b><u>State Street Aid</u></b>	<b><u>Recreation</u></b>	<b><u>Police Drug Fund</u></b>	<b><u>Cable TV Authority</u></b>	<b><u>Total Special Revenue Funds</u></b>
<b>Revenues:</b>						
Intergovernmental	\$ -	\$ 141,267	\$ -	\$ -	\$ 8,592	\$ 149,859
Local option sales tax	-	-	632,309	-	-	632,309
Recreation program revenues	-	-	92,816	-	-	92,816
Drug fines and seized vehicles/property	-	-	-	7,381	-	7,381
Interest	66	280	-	134	138	618
Miscellaneous	-	-	-	150	-	150
Lease payments	117,018	-	-	-	-	117,018
Grant	-	-	-	-	-	-
Total Revenues	<u>117,084</u>	<u>141,547</u>	<u>725,125</u>	<u>7,665</u>	<u>8,730</u>	<u>1,000,151</u>
<b>Expenditures:</b>						
Debt service	111,718	-	-	-	-	111,718
Streets	-	166,934	-	-	-	166,934
Recreation	-	-	619,766	-	-	619,766
Police Drug Fund	-	-	-	31,713	-	31,713
Cable TV Authority	-	-	-	-	16,643	16,643
Blair Bend Industrial Park	-	-	-	-	-	-
Post Office Building	3,390	-	-	-	-	3,390
Courthouse	-	-	-	-	-	-
Total Expenditures	<u>115,108</u>	<u>166,934</u>	<u>619,766</u>	<u>31,713</u>	<u>16,643</u>	<u>950,164</u>
Excess (Deficit) of Revenues Over Expenditures	<u>1,976</u>	<u>(25,387)</u>	<u>105,359</u>	<u>(24,048)</u>	<u>(7,913)</u>	<u>49,987</u>
<b>Other Financing Sources:</b>						
Operating Transfers in	-	-	-	-	-	-
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,976	(25,387)	105,359	(24,048)	(7,913)	49,987
Fund Balance, Beginning of Year	<u>37,990</u>	<u>229,909</u>	<u>87,178</u>	<u>81,621</u>	<u>131,281</u>	<u>567,979</u>
<b>Fund Balance, End of Year</b>	<b><u>\$ 39,966</u></b>	<b><u>\$ 204,522</u></b>	<b><u>\$ 192,537</u></b>	<b><u>\$ 57,573</u></b>	<b><u>\$ 123,368</u></b>	<b><u>\$ 617,966</u></b>

See accompanying independent auditors' report and notes.

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**NON-MAJOR OTHER GOVERNMENTAL FUNDS (Continued)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<b>CAPITAL PROJECTS FUNDS</b>			<b>Total</b>
	<b>Con Capital Project Fund</b>	<b>Blair Bend Industrial Park</b>	<b>Courthouse Revitalization</b>	<b>Non-Major Other Governmental Funds</b>
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ -	\$ 129,212	\$ 129,212
Local option sales tax	-	-	-	-
Recreation program revenues	-	-	-	-
Drug fines and seized vehicles	-	-	-	-
Interest	313	843	838	1,994
Miscellaneous	-	18	-	18
Lease payments	-	27,000	-	27,000
Grant	-	2,672	-	2,672
<b>Total Revenues</b>	<b>313</b>	<b>30,533</b>	<b>130,050</b>	<b>160,896</b>
<b>Expenditures:</b>				
Public Safety	83,156	-	-	83,156
Debt service	-	-	-	-
Streets	-	-	-	-
Recreation	1,317,157	-	-	1,317,157
Police Drug Fund	-	-	-	-
Cable TV Authority	-	-	-	-
Blair Bend Industrial Park	-	22,666	-	22,666
Post Office Building	-	-	-	-
Courthouse	-	-	205,471	205,471
<b>Total Expenditures</b>	<b>1,400,313</b>	<b>22,666</b>	<b>205,471</b>	<b>1,628,450</b>
Excess (Deficit) of Revenues Over Expenditures	(1,400,000)	7,867	(75,421)	(1,467,554)
<b>Other Financing Sources:</b>				
Bond Proceeds	1,400,000	-	-	1,400,000
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	7,867	(75,421)	(67,554)
Fund Balance, Beginning of Year	-	596,360	560,547	1,156,907
<b>Fund Balance, End of Year</b>	<b>\$ -</b>	<b>\$ 604,227</b>	<b>\$ 485,126</b>	<b>\$ 1,089,353</b>
				<b>\$ 1,707,319</b>



**CITY OF LOUDON, TENNESSEE**

**COMBINING FUND FINANCIAL STATEMENTS  
INTERNAL SERVICE FUNDS**

**JUNE 30, 2015**

**CITY OF LOUDON, TENNESSEE**  
**COMBINING SCHEDULE OF NET POSITION – ALL INTERNAL SERVICE FUNDS**  
**JUNE 30, 2015**  
With Comparative Totals for the Fiscal Year Ended June 30, 2014

<b>Assets</b>	<b>Internal Service Funds</b>			<b>Totals</b>	
	<b><u>Maintenance</u></b>	<b><u>Employee Benefits</u></b>	<b><u>Medical Benefits</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>Current Assets</b>					
Cash	\$ -	\$ 64,259	\$ 526,842	\$ 591,101	\$ 328,460
Cash investments	-	-	965,121	965,121	922,575
Materials and supplies	<u>61,538</u>	<u>-</u>	<u>-</u>	<u>61,538</u>	<u>72,231</u>
Total Current Assets	<u>61,538</u>	<u>64,259</u>	<u>1,491,963</u>	<u>1,617,760</u>	<u>1,323,266</u>
<b>Fixed Assets</b>					
Property and equipment	107,276	-	-	107,276	86,424
Less accumulated depreciation	<u>(82,609)</u>	<u>-</u>	<u>-</u>	<u>(82,609)</u>	<u>(82,146)</u>
Net Fixed Assets	<u>24,667</u>	<u>-</u>	<u>-</u>	<u>24,667</u>	<u>4,278</u>
<b>Total Assets</b>	<b><u>86,205</u></b>	<b><u>64,259</u></b>	<b><u>1,491,963</u></b>	<b><u>1,642,427</u></b>	<b><u>1,327,544</u></b>
<b>Liabilities and Net Position</b>					
<b>Current Liabilities</b>					
Accounts payable	21,243	-	-	21,243	26,252
Due to General Fund	64,962	-	-	64,962	50,257
Reserve for benefit claims	<u>-</u>	<u>-</u>	<u>152,300</u>	<u>152,300</u>	<u>152,300</u>
Total Current Liabilities	<u>86,205</u>	<u>-</u>	<u>152,300</u>	<u>238,505</u>	<u>228,809</u>
<b>Net Position</b>					
Unrestricted	<u>-</u>	<u>64,259</u>	<u>1,339,663</u>	<u>1,403,922</u>	<u>1,098,735</u>
<b>Total Net Position</b>	<b><u>\$ 86,205</u></b>	<b><u>\$ 64,259</u></b>	<b><u>\$ 1,491,963</u></b>	<b><u>\$ 1,642,427</u></b>	<b><u>\$ 1,327,544</u></b>

See accompanying independent auditors' report and notes.

**CITY OF LOUDON, TENNESSEE**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES**  
**IN NET POSITION – ALL INTERNAL SERVICE FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2015**  
With Comparative Totals for the Fiscal Year Ended June 30, 2014

	<b>Internal Service Funds</b>			<b>Totals</b>	
	<b><u>Maintenance</u></b>	<b><u>Employee Benefits</u></b>	<b><u>Medical Benefits</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>Operating Revenues</b>					
Proprietary funds	\$ 86,448	\$ 19,600	\$ 1,464,755	\$ 1,570,803	\$ 1,510,222
Governmental funds	118,453	11,667	999,078	1,129,198	1,128,416
Others	<u>24,523</u>	<u>2,222</u>	<u>41,238</u>	<u>67,983</u>	<u>227,346</u>
Total Operating Revenues	<u>229,424</u>	<u>33,489</u>	<u>2,505,071</u>	<u>2,767,984</u>	<u>2,865,984</u>
<b>Operating Expenses</b>					
Maintenance	220,955	-	-	220,955	197,814
Administrative and general	8,007	-	488,074	496,081	458,391
Depreciation	462	-	-	462	347
Benefits paid	<u>-</u>	<u>30,559</u>	<u>1,716,516</u>	<u>1,747,075</u>	<u>2,147,238</u>
Total Operating Expenses	<u>229,424</u>	<u>30,559</u>	<u>2,204,590</u>	<u>2,464,573</u>	<u>2,803,790</u>
Operating Income	-	2,930	300,481	303,411	62,194
<b>Other Income</b>					
Interest income	<u>-</u>	<u>63</u>	<u>1,713</u>	<u>1,776</u>	<u>1,654</u>
Change in Net Position	-	2,993	302,194	305,187	63,848
Net Position – Beginning of Year	<u>-</u>	<u>61,266</u>	<u>1,037,469</u>	<u>1,098,735</u>	<u>1,034,887</u>
<b>Net Position – End of Year</b>	<b><u>\$ -</u></b>	<b><u>\$ 64,259</u></b>	<b><u>\$ 1,339,663</u></b>	<b><u>\$ 1,403,922</u></b>	<b><u>\$ 1,098,735</u></b>

See accompanying independent auditors' report and notes.

**CITY OF LOUDON, TENNESSEE**  
**COMBINING SCHEDULE OF CASH FLOWS**  
**ALL INTERNAL SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2015**  
With Comparative Totals for the Year Ended June 30, 2014

	<b>Internal Service Funds</b>			<b>Totals</b>	
	<b><u>Maintenance</u></b>	<b><u>Employee Benefits</u></b>	<b><u>Medical Benefits</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>Cash Flows from Operating Activities</b>					
Cash received from other funds	\$ 250,296	\$ 31,266	\$ 2,463,833	\$ 2,745,395	\$ 2,667,288
Cash received from others	-	2,222	41,238	43,460	203,321
Cash payments for maintenance/ employee benefits/medical	<u>(229,444)</u>	<u>(30,558)</u>	<u>(2,204,590)</u>	<u>(2,464,592)</u>	<u>(2,803,790)</u>
Total Cash Provided by (Used in) Operating Activities	<u>20,852</u>	<u>2,930</u>	<u>300,481</u>	<u>324,263</u>	<u>66,819</u>
<b>Cash Flows from Investing Activities</b>					
Interest income on investments	<u>-</u>	<u>63</u>	<u>1,713</u>	<u>1,776</u>	<u>1,654</u>
<b>Cash Flows from Capital and Financing Activities</b>					
Purchase of equipment	<u>(20,852)</u>	<u>-</u>	<u>-</u>	<u>(20,852)</u>	<u>(4,625)</u>
Net Increase in Cash and Cash Equivalents	-	2,993	302,194	305,187	63,848
Cash and Cash Equivalents – Beginning of Year	<u>-</u>	<u>61,266</u>	<u>1,189,769</u>	<u>1,251,035</u>	<u>1,187,187</u>
<b>Cash and Cash Equivalents – End of Year</b>	<b><u>\$ -</u></b>	<b><u>\$ 64,259</u></b>	<b><u>\$ 1,491,963</u></b>	<b><u>\$ 1,556,222</u></b>	<b><u>\$ 1,251,035</u></b>
<b>Reconciliation</b>					
Operating income	\$ -	\$ 2,930	\$ 300,481	\$ 303,411	\$ 62,194
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	463	-	-	463	347
Changes in assets and liabilities:					
Materials and supplies	10,693	-	-	10,693	6,990
Accounts payable	(5,009)	-	-	(5,009)	21,507
Due to General Fund	<u>14,705</u>	<u>-</u>	<u>-</u>	<u>14,705</u>	<u>(24,219)</u>
<b>Net Cash Provided by (Used In) Operating Activities</b>	<b><u>\$ 20,852</u></b>	<b><u>\$ 2,930</u></b>	<b><u>\$ 300,481</u></b>	<b><u>\$ 324,263</u></b>	<b><u>\$ 66,819</u></b>

See accompanying independent auditors' report and notes.

**CITY OF LOUDON, TENNESSEE**

**OTHER SUPPLEMENTARY INFORMATION  
INDIVIDUAL FUND STATEMENTS AND SCHEDULES  
June 30, 2015**

**CITY OF LOUDON, TENNESSEE**  
**GENERAL FUND**  
**SCHEDULE OF ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES,**  
**DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE**  
**JUNE 30, 2015**  
**With Comparative Totals for the Year Ended June 30, 2014**

<b><u>ASSETS</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Cash	\$ 85,271	\$ 422,340
Temporary investments	4,446,387	3,035,135
Property taxes receivable (net of allowance for estimated uncollectibles)	2,826,234	2,545,463
Local option sales tax receivable	108,610	111,561
Wholesale beer tax receivable	41,910	41,195
State sales tax receivable	63,220	68,430
Other receivables	109,298	218,037
Due from Maintenance Internal Service	64,962	50,257
Prepaid items	<u>1,002</u>	<u>1,000</u>
Total Assets	<u>7,746,894</u>	<u>6,493,418</u>
Deferred Outflows of Resources	<u>-</u>	<u>-</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u>\$ 7,746,894</u></b>	<b><u>\$ 6,493,418</u></b>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</u></b>		
<b>Liabilities:</b>		
Accrued liabilities	\$ 160,518	\$ 128,779
Accounts payable	75,510	101,607
Due to Recreation Special Revenue	114,455	33,176
Due to State Street Aid Fund	<u>20</u>	<u>-</u>
Total Liabilities	<u>350,503</u>	<u>263,562</u>
Deferred Inflows of Resources		
Property taxes	<u>3,507,542</u>	<u>3,226,772</u>
<b>Fund Balance:</b>		
Non-spendable	1,002	1,000
Unassigned	2,311,621	2,021,220
Assigned	<u>1,576,226</u>	<u>980,864</u>
Total Fund Balance	<u>3,888,849</u>	<u>3,003,084</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b><u>\$ 7,746,894</u></b>	<b><u>\$ 6,493,418</u></b>

See accompanying independent auditors' report and notes.

**CITY OF LOUDON, TENNESSEE**  
**SCHEDULE OF REVENUES – BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
**With Comparative Totals for the Year Ended June 30, 2014**

	<b>Budget</b>			<b>Variance -</b>	
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Actual</u></b>	<b><u>Favorable</u></b>	<b><u>Totals</u></b>
				<b><u>(Unfavorable)</u></b>	<b><u>2014</u></b>
<b>Revenues</b>					
<b>Local taxes</b>					
Real estate taxes	\$ 3,312,000	\$ 3,662,000	\$ 3,650,071	\$ (11,929)	\$ 3,407,234
Interest and penalty – real estate taxes	18,500	18,500	19,799	1,299	20,021
Local sales tax	538,000	596,400	621,520	25,120	571,128
Wholesale beer tax	230,000	230,000	222,541	(7,459)	227,410
Business tax	80,000	80,000	108,468	28,468	100,582
Cable television franchise tax	52,000	52,000	60,987	8,987	55,735
Industry in lieu of tax	16,600	16,600	16,564	(36)	20,004
Liquor inspection	<u>60,000</u>	<u>60,000</u>	<u>66,275</u>	<u>6,275</u>	<u>60,050</u>
Total Local Taxes	<u>4,307,100</u>	<u>4,715,500</u>	<u>4,766,225</u>	<u>50,725</u>	<u>4,462,164</u>
<b>Licenses and Permits</b>					
Beer licenses	2,900	2,900	3,842	942	2,933
Liquor licenses	2,200	2,200	3,400	1,200	2,500
Building permits	22,000	46,000	46,421	421	30,103
Public development fee	<u>1,000</u>	<u>4,000</u>	<u>7,500</u>	<u>3,500</u>	<u>500</u>
Total Licenses and Permits	<u>28,100</u>	<u>55,100</u>	<u>61,163</u>	<u>6,063</u>	<u>36,036</u>
<b>Intergovernmental Revenue</b>					
Excise tax	4,000	4,000	8,633	4,633	4,055
TVA in lieu of tax	58,000	58,000	65,639	7,639	62,806
Housing Authority in lieu of tax	15,800	15,800	13,909	(1,891)	15,963
Federal and state grants/supplements	16,100	16,100	30,000	13,900	29,244
State sales tax	385,000	395,000	398,066	3,066	385,001
State income tax	8,000	8,000	105,493	97,493	33,106
State beer tax	2,500	2,500	2,574	74	2,546
State alcoholic beverage tax	2,150	2,150	1,712	(438)	2,102
State street contract maintenance	14,000	14,000	14,080	80	15,375
State streets and transportation funds	11,000	11,000	10,983	(17)	11,016
Tax agreement – Highlands	<u>40,000</u>	<u>47,634</u>	<u>47,634</u>	<u>-</u>	<u>41,287</u>
Total Intergovernmental Revenue	<u>556,550</u>	<u>574,184</u>	<u>698,723</u>	<u>124,539</u>	<u>602,501</u>
<b>Fines and Court Costs</b>	<u>30,000</u>	<u>30,000</u>	<u>22,505</u>	<u>(7,495)</u>	<u>27,500</u>
<b>Charges for Services</b>					
Clerk's fees for business tax	10,000	10,000	11,830	1,830	11,968
Sanitation services/miscellaneous	1,600	1,600	1,675	75	1,114
Highways and streets charges	<u>10,000</u>	<u>10,000</u>	<u>11,460</u>	<u>1,460</u>	<u>9,000</u>
Total Charges for Services	<u>21,600</u>	<u>21,600</u>	<u>24,965</u>	<u>3,365</u>	<u>22,082</u>

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**SCHEDULE OF REVENUES – BUDGET AND ACTUAL**  
**GENERAL FUND (Continued)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
**With Comparative Totals for the Year Ended June 30, 2014**

	<b>Budget</b>			<b>Variance -</b>	
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Actual</u></b>	<b><u>Favorable</u></b>	<b><u>Totals</u></b>
				<b><u>(Unfavorable)</u></b>	<b><u>2014</u></b>
<b>Revenues (Continued)</b>					
<b>Miscellaneous</b>					
Sale of vehicles	-	-	631	631	25,000
Interest earnings	4,600	4,600	5,311	711	4,574
Rents	6,485	6,485	6,485	-	7,024
Sale of land	-	-	-	-	-
Sale of street materials	1,500	1,500	2,202	702	1,548
Refunds from utilities	-	-	42,578	42,578	43,962
Miscellaneous/refunds	48,000	127,000	89,190	(810)	109,353
Donation	300	300	-	(300)	550
Personnel Reserve	-	-	13,347	13,347	12,598
Total Miscellaneous	<u>60,885</u>	<u>139,885</u>	<u>159,744</u>	<u>19,859</u>	<u>204,609</u>
<b>TOTAL REVENUES</b>	<b><u>5,004,235</u></b>	<b><u>5,536,269</u></b>	<b><u>5,733,325</u></b>	<b><u>197,056</u></b>	<b><u>5,354,892</u></b>
<b>OTHER FINANCING SOURCES</b>					
<b>(USES):</b>					
Electric Department in lieu of tax	660,000	660,000	660,000	-	600,000
Gas Department in lieu of tax	324,000	324,000	324,000	-	324,000
Water Department in lieu of tax	216,300	216,300	218,004	1,704	218,004
Sewer Department in lieu of tax	203,700	203,700	203,700	-	203,700
Transfer in – Recreation Fund	-	-	18,463	18,463	-
Transfer in – Water debt service	239,775	239,775	239,776	1	236,668
Transfer out – Recreation	-	-	-	-	(36,865)
Bond Proceeds	<u>1,400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources					
(Uses)	<u>3,043,775</u>	<u>1,643,775</u>	<u>1,663,943</u>	<u>20,168</u>	<u>1,545,507</u>
<b>Total Revenue and Other</b>					
<b>Financing Sources (Uses)</b>	<b><u>\$8,048,010</u></b>	<b><u>\$ 7,180,044</u></b>	<b><u>\$ 7,397,268</u></b>	<b><u>\$ 217,224</u></b>	<b><u>\$ 6,900,399</u></b>

See accompanying independent auditors' report and notes.



**CITY OF LOUDON, TENNESSEE**  
**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
**With Comparative Totals for the Year Ended June 30, 2014**

	<b>Budget</b>			<b>Variance -</b>	
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Actual</u></b>	<b><u>Favorable</u></b>	<b><u>Totals</u></b>
				<b><u>(Unfavorable)</u></b>	<b><u>2014</u></b>
<b>Expenditures</b>					
<b>General Government</b>					
<b>Financial Administration</b>					
Salaries	\$ 174,700	\$ 175,200	\$ 174,912	\$ 288	\$ 170,696
FICA	13,365	13,820	13,818	2	13,374
Retirement	24,910	24,980	24,977	3	23,432
Personnel reserve	815	815	664	151	644
Employee training	2,000	2,000	1,525	475	1,170
Life, accidental death, and					
disability insurance	2,300	2,335	2,302	33	2,198
Medical insurance	93,105	110,105	110,088	17	93,105
Dental insurance	3,720	4,355	4,355	-	3,720
Vision insurance	1,240	1,450	1,450	-	1,236
Retiree insurance	66,600	66,600	66,040	560	71,014
Postage and box rent	1,300	1,300	1,188	112	1,083
Memberships and registration fees	4,350	4,350	3,570	780	3,652
Public relations	4,000	4,000	2,420	1,580	5,181
Advertising	6,000	6,000	4,561	1,439	5,138
Decorations	4,500	100	36	64	46
Telephone/Communications	16,000	16,000	6,597	9,403	6,292
Legal and judicial services	30,200	30,345	30,342	3	30,138
Accounting and auditing services	20,000	20,000	14,180	5,820	17,680
Data processing services	4,000	4,000	781	3,219	3,258
Planning office	25,000	25,000	25,000	-	25,000
Cable TV board	2,220	2,220	2,220	-	2,691
Other professional services	300	300	300	-	300
Travel	4,000	4,000	1,923	2,077	3,620
Credit card fees/Bank fees	500	550	543	7	871
Office stationary/forms/printing	1,200	1,200	730	470	1,348
Other office supplies	1,200	1,200	617	583	425
Planning commission meeting exp.	1,200	1,200	1,059	141	1,046
Infectious disease control	100	100	44	56	66
Insurance – prop., wc, liab.	13,500	13,500	11,697	1,803	11,865
Rent	7,560	7,560	7,560	-	7,560
Contract services – website	2,500	800	732	68	1,900
Property tax refunds	-	-	-	-	456
Property assessor fees	8,000	13,020	13,017	3	5,600
Exams and testing	500	500	436	64	433
Clerk and Master fees	4,000	4,000	1,539	2,461	1,861
Grants and donations	11,285	11,285	9,462	1,823	9,462
Printing, typing, duplication	2,800	2,800	2,774	26	2,714
Small items of equipment	500	500	-	500	-
Other refunds	-	-	-	-	36,527
Elections	-	8,230	8,222	8	-
Capital expenses	2,000	2,000	1,325	675	410
Total Financial Administration	<u>561,470</u>	<u>587,720</u>	<u>553,006</u>	<u>34,714</u>	<u>567,212</u>

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
**With Comparative Totals for the Year Ended June 30, 2014**

	<u>Budget</u>			<b>Variance -</b>	<b>Totals</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<b>(Unfavorable)</b>	<u>2014</u>
<b>Expenditures (Continued)</b>					
<b>General Government (Continued)</b>					
<b>Codes administration</b>					
Salaries	49,370	49,965	49,673	292	56,618
FICA	3,780	3,780	3,727	53	4,265
Retirement	8,200	8,335	8,334	1	7,882
Personnel reserve	245	250	247	3	241
Employee certification and training	2,500	2,500	747	1,753	247
Life, accidental death and disability insurance	540	540	517	23	498
Medical insurance	18,300	18,300	18,300	-	18,300
Dental insurance	720	720	720	-	720
Vision insurance	240	240	240	-	240
Clothing and uniforms	500	500	48	452	-
Capital expenditures – Office equipment	250	250	-	250	-
Telephone	720	720	378	342	255
Repairs	300	300	-	300	-
Vehicle maintenance	280	525	524	1	-
Gasoline	1,200	1,200	1,027	173	1,280
Sundry supplies	75	75	52	23	260
Subscription and dues	300	300	-	300	-
Travel	250	250	21	229	-
Exams and Testing	150	150	-	150	-
Small items of equipment	50	50	-	50	-
Insurance	410	430	429	1	410
Office supplies	350	350	-	350	136
Operating supplies	<u>200</u>	<u>200</u>	<u>-</u>	<u>200</u>	<u>-</u>
Total Codes Administration	<u>88,930</u>	<u>89,930</u>	<u>84,984</u>	<u>4,946</u>	<u>91,352</u>
<b>Depot building</b>					
Maintenance	500	500	120	380	157
Contractual services	500	500	484	16	482
Insurance	320	320	317	3	316
Rent	<u>770</u>	<u>770</u>	<u>770</u>	<u>-</u>	<u>770</u>
Total Depot Building	<u>2,090</u>	<u>2,090</u>	<u>1,691</u>	<u>399</u>	<u>1,725</u>
<b>Total General Government</b>	<b><u>652,490</u></b>	<b><u>679,740</u></b>	<b><u>639,681</u></b>	<b><u>40,059</u></b>	<b><u>660,289</u></b>
<b>Public Safety</b>					
<b>Police/Fire Building</b>					
Property insurance	1,500	1,500	1,428	72	1,446
Salaries	4,570	4,570	4,486	84	4,048
FICA	350	350	327	23	295
Retirement	410	410	324	86	347
Utilities	25,000	22,000	21,879	121	23,026
Telephone	5,000	5,000	2,725	2,275	2,998
Equipment repair	4,000	5,600	5,553	47	2,588
Small items of equipment	500	500	308	192	793
Office equipment/furnishings	5,000	5,000	1,201	3,799	900
Cable television	-	700	686	14	-

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL**  
**GENERAL FUND (Continued)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
**With Comparative Totals for the Year Ended June 30, 2014**

	<b>Budget</b>		<b>Actual</b>	<b>Variance - Favorable (Unfavorable)</b>	<b>Totals 2014</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>			
<b>Expenditures (Continued)</b>					
<b>Public Safety (Continued)</b>					
<b>Police/Fire Building (Continued)</b>					
Office equipment maintenance	1,000	1,000	869	131	969
Contractual services	3,000	5,600	5,587	13	12,397
Office supplies	1,500	1,500	1,500	-	1,965
Janitorial	2,000	3,600	3,515	85	1,664
Repair and maintenance supplies	4,000	4,000	3,806	194	2,631
Machinery and equipment	5,000	1,500	573	927	8,774
Total Police/Fire Building	<u>62,830</u>	<u>62,830</u>	<u>54,767</u>	<u>8,063</u>	<u>64,841</u>
<b>Fire Sub-station</b>					
Utilities	6,900	6,290	6,056	234	6,278
Telephone	2,200	2,200	2,080	120	1,946
Internet	950	1,550	1,500	50	901
Equipment repair	1,300	1,300	553	747	1,231
Janitorial	600	600	198	402	197
Repair and maintenance - building	600	600	552	48	393
Property insurance	300	310	304	6	283
Capital expenditures	4,500	4,500	1,683	2,817	725
Repair/maintenance supplies	800	800	604	196	218
Total Fire Sub-station	<u>18,150</u>	<u>18,150</u>	<u>13,530</u>	<u>4,620</u>	<u>12,172</u>
<b>Police Department</b>					
Salaries	750,900	750,900	749,474	1,426	726,554
Overtime	36,360	40,960	40,930	30	36,358
Part-time	110,320	130,320	130,168	152	108,438
Court time	3,030	3,030	936	2,094	1,053
FICA	68,900	69,600	69,595	5	66,034
Retirement	161,140	161,140	158,893	2,247	148,689
Personnel reserve	3,950	3,950	3,914	36	3,776
Unemployment insurance	500	500	-	500	47
Educational training	8,000	8,000	4,103	3,897	4,976
Life, accidental death, and disability insurance	7,140	7,290	7,280	10	7,095
Medical insurance	209,100	209,100	209,085	15	209,085
Dental insurance	8,340	8,340	8,340	-	8,340
Vehicle towing and storage	300	300	-	300	-
Vision insurance	2,780	2,780	2,772	8	2,772
Postage	100	100	4	96	43
Subscription and dues	800	800	770	30	595
Advertising	300	300	46	254	126
Public relations	400	400	144	256	188
Electric	200	200	142	58	93
Telephone/Communications	7,000	7,000	4,979	2,021	4,854
Exams and testing (employees)	2,000	2,000	1,810	190	1,484
Vehicle and equipment maintenance labor	30,730	36,230	36,154	76	35,652
Vehicle repair – parts	25,000	15,000	12,223	2,777	17,166
Police equipment repairs	3,000	3,000	2,399	601	2,772
Travel	4,000	4,000	1,823	2,177	4,122
Office equipment maintenance	500	500	-	500	629

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL**  
**GENERAL FUND (Continued)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
**With Comparative Totals for the Year Ended June 30, 2014**

	<u>Budget</u>			<u>Variance -</u> <u>Favorable</u>	<u>Totals</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Unfavorable)</u>	<u>2014</u>
<b>Expenditures (Continued)</b>					
<b>Public Safety (Continued)</b>					
<b>Police Department (Continued)</b>					
Animal Control	3,282	3,282	3,282	-	3,282
Contractual services	200	300	208	92	-
Office supplies	1,000	1,000	536	464	349
Small items of equipment	3,500	3,650	3,644	6	215
Lab and case related expense	500	500	-	500	257
Clothing and uniforms	6,000	8,000	7,891	109	3,856
Infectious disease control	500	500	110	390	198
Operating supplies	2,000	2,000	1,761	239	12
Gas and oil	65,000	54,800	52,132	2,668	55,459
Sundry supplies	400	400	190	210	694
VIPs expenses	1,500	1,500	146	1,354	705
Insurance	75,000	77,000	76,871	129	72,574
Computer equipment	15,000	-	-	-	2,701
Machinery and equipment	-	-	-	-	-
Radio equipment	-	-	-	-	9,640
Total Police Department	<u>1,618,672</u>	<u>1,618,672</u>	<u>1,592,755</u>	<u>25,917</u>	<u>1,540,883</u>
<b>Fire Protection and Control</b>					
Salaries	587,700	582,050	577,763	4,287	576,440
Overtime	66,700	66,800	66,704	96	65,670
Part-time	63,240	63,440	63,372	68	58,647
FICA	54,900	54,900	53,239	1,661	52,749
Retirement	133,440	123,440	121,834	1,606	120,968
Personnel reserve	3,280	3,280	3,164	116	3,171
Unemployment insurance	100	100	-	100	-
Educational training	12,000	12,000	10,651	1,349	6,940
Life, accidental death, and disability insurance	6,240	6,240	6,075	165	6,135
Medical insurance	222,810	212,810	212,670	140	225,325
Dental insurance	8,880	8,880	8,500	380	8,960
Vision insurance	2,960	2,960	2,824	136	2,980
Subscription and dues	1,500	1,500	1,074	426	497
Public relations	1,500	1,500	913	587	103
Advertising	300	300	-	300	-
Electric	100	150	142	8	93
Telephone/Communications	3,000	3,000	1,775	1,225	1,753
Exams and testing (employees)	2,000	2,200	2,192	8	2,446
Vehicle and equipment maintenance labor	5,090	9,590	9,576	14	7,681
Vehicle repair – parts	18,000	18,000	16,490	1,510	14,870
Equipment repairs	8,800	8,800	4,075	4,725	3,109
Travel	1,500	1,500	1,203	297	198
Equipment rental/maintenance	100	100	-	100	-
Other contract services	300	300	165	135	215
Office supplies	800	800	353	447	229
Uniforms	5,000	5,600	5,573	27	6,662

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL**  
**GENERAL FUND (Continued)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
**With Comparative Totals for the Year Ended June 30, 2014**

	<u>Budget</u>		<u>Actual</u>	<u>Variance -</u> <u>Favorable</u> <u>(Unfavorable)</u>	<u>Totals</u> <u>2014</u>
	<u>Original</u>	<u>Final</u>			
<b>Expenditures (Continued)</b>					
<b>Public Safety (Continued)</b>					
<b>Fire Protection and Control</b>					
<b>(Continued)</b>					
Infectious control supplies	600	600	154	446	242
Operating supplies	4,400	4,400	3,592	808	4,331
Gas and oil	17,000	17,000	12,498	4,502	14,352
Tuition reimbursement	1,000	1,000	-	1,000	-
Sundry supplies	1,400	1,400	748	652	899
Computer equipment	2,000	2,000	498	1,502	1,004
Fire protection equipment	500	500	-	500	2,859
Fire department equipment	7,500	7,500	6,141	1,359	8,878
Radio equipment	-	-	-	-	1,986
Fire hydrants and parts	-	-	-	-	-
Fire hydrant repair	3,500	3,500	36	3,464	272
Fire department vehicles	-	-	-	-	355,322
Insurance – Liability & WC	<u>135,000</u>	<u>135,000</u>	<u>122,993</u>	<u>12,007</u>	<u>123,947</u>
Total Fire Protection and Control	<u>1,383,140</u>	<u>1,363,140</u>	<u>1,316,987</u>	<u>46,153</u>	<u>1,679,933</u>
<b>Total Public Safety</b>	<u><b>3,082,792</b></u>	<u><b>3,062,792</b></u>	<u><b>2,978,039</b></u>	<u><b>84,753</b></u>	<u><b>3,297,829</b></u>
<b>Public Works:</b>					
<b>Sanitation</b>					
Salaries	155,900	155,900	151,652	4,248	147,092
Overtime	600	600	559	41	406
Part-time	6,120	7,520	7,442	78	9,830
FICA	12,440	12,440	12,088	352	11,901
Retirement	26,435	26,435	23,392	3,043	23,976
Personnel reserve	785	785	760	25	737
Life, accidental death, and disability insurance	1,790	1,840	1,827	13	1,774
Medical insurance	54,900	54,900	47,830	7,070	54,900
Dental insurance	2,160	2,160	1,915	245	2,160
Vision insurance	720	720	636	84	720
Retiree insurance	6,575	6,585	6,576	9	6,576
Employee testing/exams	100	100	70	30	40
Vehicle equipment/maintenance labor	11,140	18,240	18,156	84	12,724
Dumpster for resale	2,000	2,000	-	2,000	-
Vehicle parts	15,000	15,000	14,133	867	13,053
Equipment repair	3,500	3,500	3,438	62	3,435
Landfill services	104,000	95,440	91,649	3,791	94,273
Infectious disease control	50	50	44	6	-
Operating supplies	200	200	65	135	441
Uniforms	1,900	1,900	1,628	272	2,010
Employee training	-	-	-	-	40
Gasoline	25,000	25,000	18,909	6,091	23,640
Insurance	<u>35,300</u>	<u>35,300</u>	<u>17,733</u>	<u>17,567</u>	<u>29,328</u>
Total Sanitation	<u>466,615</u>	<u>466,615</u>	<u>420,502</u>	<u>46,113</u>	<u>439,056</u>

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL**  
**GENERAL FUND (Continued)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
**With Comparative Totals for the Year Ended June 30, 2014**

	<b>Budget</b>			<b>Variance -</b>	
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Actual</u></b>	<b><u>Favorable</u></b>	<b><u>Totals</u></b>
				<b><u>(Unfavorable)</u></b>	<b><u>2014</u></b>
<b>Expenditures (Continued)</b>					
<b>Public Works (Continued)</b>					
<b>Highways and Streets</b>					
Salaries	447,160	431,760	426,618	5,142	428,135
Overtime	7,100	13,100	12,840	260	9,273
Part-time	8,160	8,160	6,987	1,173	9,493
FICA	35,375	35,375	34,177	1,198	34,195
Retirement	76,725	76,725	73,466	3,259	71,042
Personnel reserve	2,275	2,275	2,193	82	2,182
Life, accidental death, and disability insurance	4,600	4,600	4,557	43	4,453
Medical insurance	140,460	140,460	140,460	-	140,460
Dental insurance	5,640	5,640	5,640	-	5,640
Vision insurance	1,875	1,875	1,872	3	1,872
Memberships and subscriptions	200	200	40	160	189
Registration fees	75	75	36	39	75
Utilities	13,100	13,100	11,036	2,064	11,373
Telephone	2,200	2,200	813	1,387	853
Exams and testing (employees)	500	630	628	2	438
Vehicle and equipment maintenance labor	47,865	47,865	47,651	214	46,678
Vehicle parts/service	10,000	9,870	7,689	2,181	5,528
Equipment repairs	14,000	20,700	20,562	138	13,558
Travel	100	100	-	100	-
Contractual services	10,000	10,000	-	10,000	104,159
Machinery and equipment rental	250	250	-	250	88
Office supplies	500	500	185	315	361
Clothing and uniforms	4,800	6,800	6,278	522	4,897
Infectious disease control	200	200	88	112	154
Gas, oil, and diesel fuel	38,000	38,000	27,546	10,454	34,771
Sundry supplies	2,000	2,700	2,522	178	1,717
Signs and parts	3,000	3,000	62	2,938	-
Other materials	-	-	-	-	-
Engineering/Landscape Services	-	-	-	-	-
Street department vehicles	-	-	-	-	-
Concrete and clay products	1,000	1,000	-	1,000	238
Raw materials	1,800	1,800	-	1,800	1,172
Employee training	80	80	-	80	80
Rent	4,500	4,500	4,500	-	2,250
Capital expenses	-	-	-	-	-
Computer equipment	-	-	-	-	1,004
Advertising	-	1,300	1,231	79	-
Insurance – Liability/WC	53,000	43,000	34,756	8,244	53,906
Total Highways and Streets	<u>936,540</u>	<u>927,840</u>	<u>874,433</u>	<u>53,407</u>	<u>990,234</u>

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL**  
**GENERAL FUND (Continued)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
**With Comparative Totals for the Year Ended June 30, 2014**

	<b>Budget</b>			<b>Variance -</b>	
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Actual</u></b>	<b><u>Favorable</u></b>	<b><u>Totals</u></b>
				<b><u>(Unfavorable)</u></b>	<b><u>2014</u></b>
<b>Expenditures (Continued)</b>					
<b>Health and Recreation</b>					
<b>Parks</b>					
Salaries	32,520	33,120	33,045	75	31,259
Part-time	3,060	3,060	-	3,060	1,189
Overtime	-	250	206	44	53
FICA	2,725	2,725	2,436	289	2,429
Retirement	5,495	5,555	5,549	6	5,089
Personnel reserve	165	165	165	-	156
Public relations and awards	500	500	-	500	-
Electric	12,750	17,450	17,380	70	13,064
Water and sewer	2,400	4,900	4,800	100	1,264
Life, accidental death & disability insurance	310	310	303	7	285
Medical insurance	18,300	18,300	18,300	-	18,300
Dental insurance	720	720	720	-	720
Vision insurance	240	240	240	-	240
Equipment	2,600	3,100	3,064	36	-
Contract mowing/landscape	67,200	68,200	68,126	74	67,200
Contractual services	9,000	3,500	3,450	50	9,450
Operating supplies	700	700	645	55	648
Gas and oil	400	400	52	348	57
Painting and plumbing supplies	9,500	9,500	7,296	2,204	6,109
Repairs and maintenance supplies	19,000	26,890	22,080	4,810	19,490
Signs and parts	1,200	1,200	-	1,200	-
Insurance – property/WC	5,500	5,500	4,618	882	5,350
Utilities – Building parks maintenance	<u>5,000</u>	<u>2,000</u>	<u>1,919</u>	<u>81</u>	<u>3,031</u>
Total Health and Recreation	<u>199,285</u>	<u>208,285</u>	<u>194,394</u>	<u>13,891</u>	<u>185,383</u>
<b>Debt Service</b>					
Principal Retirement					
2012 GO refunding bond	885,000	885,000	885,000	-	855,000
Industrial park bonds	<u>21,000</u>	<u>21,000</u>	<u>21,000</u>	<u>-</u>	<u>21,000</u>
Total Principal Retirement	<u>906,000</u>	<u>906,000</u>	<u>906,000</u>	<u>-</u>	<u>876,000</u>
<b>Interest</b>					
Industrial park bonds	2,200	2,200	2,200	-	3,250
2012 GO refunding bond	110,050	110,050	110,050	-	127,150
TMBF Capital outlay note	<u>-</u>	<u>18,463</u>	<u>18,463</u>	<u>-</u>	<u>-</u>
Total Interest	<u>112,250</u>	<u>130,713</u>	<u>130,713</u>	<u>-</u>	<u>130,400</u>
Total Debt Service	<u>1,018,250</u>	<u>1,036,713</u>	<u>1,036,713</u>	<u>-</u>	<u>1,006,400</u>
<b>Personnel Reserve</b>					
Accrued sick leave	4,500	21,733	21,726	7	42,093
FICA	<u>350</u>	<u>1,667</u>	<u>1,662</u>	<u>5</u>	<u>3,220</u>
Total Personnel Reserve	<u>4,850</u>	<u>23,400</u>	<u>23,388</u>	<u>12</u>	<u>45,313</u>

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL**  
**GENERAL FUND (Continued)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
**With Comparative Totals for the Year Ended June 30, 2014**

	<b>Budget</b>			<b>Variance -</b>	
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Actual</u></b>	<b><u>Favorable</u></b>	<b><u>Totals</u></b>
				<b><u>(Unfavorable)</u></b>	<b><u>2014</u></b>
<b>Expenditures (Continued)</b>					
<b>Capital Outlay</b>					
Streets	348,500	347,300	126,567	220,733	-
Recreation	153,000	153,000	88,514	64,486	
Police Department Equipment	40,000	40,000	27,984	12,016	-
Fire Department Equipment	<u>11,500</u>	<u>12,700</u>	<u>12,127</u>	<u>573</u>	<u>16,723</u>
Total Capital Outlay	<u>553,000</u>	<u>553,000</u>	<u>255,192</u>	<u>297,808</u>	<u>16,723</u>
<b>Other Expenditures</b>					
Library	8,000	8,000	8,000	-	8,000
Economic development	34,050	34,050	32,765	1,285	32,765
Visitors Center	5,000	5,000	5,000	-	5,000
Contribution - LMPOA	<u>10,080</u>	<u>10,080</u>	<u>10,068</u>	<u>12</u>	<u>10,068</u>
Total Other Expenditures	<u>57,130</u>	<u>57,130</u>	<u>55,833</u>	<u>1,297</u>	<u>55,833</u>
<b>Total Expenditures</b>	<b><u>\$ 6,970,952</u></b>	<b><u>\$ 7,015,515</u></b>	<b><u>\$ 6,478,175</u></b>	<b><u>\$ 537,340</u></b>	<b><u>\$ 6,697,060</u></b>

See accompanying independent auditors' report and notes.



**CITY OF LOUDON, TENNESSEE**

**INDIVIDUAL FUND STATEMENTS AND SCHEDULES –  
NON-MAJOR OTHER GOVERNMENTAL FUNDS**

June 30, 2015

**CITY OF LOUDON, TENNESSEE**  
**POST OFFICE – NON-MAJOR GOVERNMENTAL**  
**POST OFFICE FUND – NON-MAJOR SPECIAL REVENUE FUND**  
**SCHEDULE OF ASSETS, DEFERRED OUTFLOWS OF RESOURCES,**  
**LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE**  
**JUNE 30, 2015**  
**With Comparative Totals for the Fiscal Year Ended June 30, 2014**

	<u><b>2015</b></u>	<u><b>2014</b></u>
<u><b>ASSETS</b></u>		
Cash investment	\$ 39,966	\$ 42,241
Investment in sales type lease	<u>117,018</u>	<u>117,018</u>
Total Assets	<u>156,984</u>	<u>159,259</u>
Deferred Outflows of Resources	<u>438,822</u>	<u>555,840</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u><b>\$ 595,806</b></u>	<u><b>\$ 715,099</b></u>
<u><b>LIABILITIES, DEFERRED INFLOWS OF</b></u> <u><b>RESOURCES AND FUND BALANCE</b></u>		
Liabilities:		
Accounts Payable	\$ <u>-</u>	\$ <u>4,251</u>
Deferred Inflows of Resources		
Deferred Revenue – USPS	<u>555,840</u>	<u>672,858</u>
Fund Balance - committed	<u>39,966</u>	<u>37,990</u>
<b>Total Liabilities, Deferred Inflows of</b> <b>Resources, and Fund Balance</b>	<u><b>\$ 595,806</b></u>	<u><b>\$ 715,099</b></u>

See accompanying independent auditors' report and notes.

**CITY OF LOUDON, TENNESSEE**  
**POST OFFICE – NON-MAJOR GOVERNMENTAL**  
**POST OFFICE FUND – NON-MAJOR SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
With Comparative Totals for the Fiscal Year Ended June 30, 2014

	<b>Budget</b>			<b>Variance -</b>	
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Actual</u></b>	<b><u>Favorable -</u></b>	<b><u>Totals</u></b>
				<b><u>(Unfavorable)</u></b>	<b><u>2014</u></b>
<b>Revenues:</b>					
Lease payments	\$ 117,018	\$ 117,018	\$ 117,018	\$ -	\$ 117,018
Interest earned	70	70	66	(4)	64
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>117,088</u>	<u>117,088</u>	<u>117,084</u>	<u>(4)</u>	<u>117,082</u>
<b>Expenditures:</b>					
Debt service	111,717	111,717	111,718	(1)	111,718
Building/Maintenance/Insurance	<u>3,500</u>	<u>3,500</u>	<u>3,390</u>	<u>110</u>	<u>5,100</u>
Total Expenditures	<u>115,217</u>	<u>115,217</u>	<u>115,108</u>	<u>109</u>	<u>116,818</u>
Excess (Deficiency) of Revenue Over Expenditures	1,871	1,871	1,976	105	264
Fund Balance, Beginning of Year	<u>37,990</u>	<u>37,990</u>	<u>37,990</u>	<u>-</u>	<u>37,726</u>
<b>Fund Balance, End of Year</b>	<b><u>\$ 39,861</u></b>	<b><u>\$ 39,861</u></b>	<b><u>\$ 39,966</u></b>	<b><u>\$ 105</u></b>	<b><u>\$ 37,990</u></b>

See accompanying independent auditors' report and notes.

**CITY OF LOUDON, TENNESSEE**  
**STATE STREET AID – NON-MAJOR GOVERNMENTAL**  
**STATE STREET AID FUND – NON-MAJOR SPECIAL REVENUE FUND**  
**SCHEDULE OF ASSETS, DEFERRED OUTFLOWS OF RESOURCES,**  
**LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE**  
**JUNE 30, 2015**  
**With Comparative Totals for the Fiscal Year Ended June 30, 2014**

	<u><b>2015</b></u>	<u><b>2014</b></u>
<b><u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Cash and checking account	\$ 23,727	\$ 44,420
Due from General Fund	20	-
Cash investments	<u>188,219</u>	<u>192,955</u>
Total Assets	<u>211,966</u>	<u>237,375</u>
Deferred Outflows of Resources	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u><b>\$ 211,966</b></u>	<u><b>\$ 237,375</b></u>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES</u></b> <b><u>AND FUND BALANCE</u></b>		
<b>Liabilities:</b>		
Accounts payable	<u>\$ 7,444</u>	<u>\$ 7,466</u>
Deferred Inflows of Resources	<u>-</u>	<u>-</u>
Fund Balance – restricted	<u>204,522</u>	<u>229,909</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u><b>\$ 211,966</b></u>	<u><b>\$ 237,375</b></u>

See accompanying independent auditors' report and notes.

**CITY OF LOUDON, TENNESSEE**  
**STATE STREET AID – NON-MAJOR GOVERNMENTAL**  
**STATE STREET AID FUND – NON-MAJOR SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
With Comparative Totals for the Fiscal Year Ended June 30, 2014

	<u>Budget</u>		<u>Actual</u>	<u>Variance - Favorable - (Unfavorable)</u>	<u>Totals 2014</u>
	<u>Original</u>	<u>Final</u>			
<b>Revenues:</b>					
Gasoline and Motor Fuel Tax	\$ 110,000	\$ 110,000	\$ 112,439	\$ 2,439	\$ 110,737
Interest	400	400	280	(120)	313
Additional 3-cent gas tax	<u>28,000</u>	<u>28,000</u>	<u>28,828</u>	<u>828</u>	<u>28,430</u>
Total Revenues	<u>138,400</u>	<u>138,400</u>	<u>141,547</u>	<u>3,147</u>	<u>139,480</u>
<b>Expenditures:</b>					
Streets	<u>152,100</u>	<u>212,100</u>	<u>166,934</u>	<u>45,166</u>	<u>108,174</u>
Excess (Deficiency) of Revenues Over Expenditures	(13,700)	(73,700)	(25,387)	48,313	31,306
Fund Balance, Beginning of Year	<u>229,909</u>	<u>229,909</u>	<u>229,909</u>	<u>-</u>	<u>198,603</u>
<b>Fund Balance, End of Year</b>	<b><u>\$ 216,209</u></b>	<b><u>\$ 156,209</u></b>	<b><u>\$ 204,522</u></b>	<b><u>\$ 48,313</u></b>	<b><u>\$ 229,909</u></b>

See accompanying independent auditors' report and notes.

**CITY OF LOUDON, TENNESSEE**  
**RECREATION – NON-MAJOR GOVERNMENTAL**  
**RECREATION FUND – NON-MAJOR SPECIAL REVENUE FUND**  
**SCHEDULE OF ASSETS, DEFERRED OUTFLOWS OF RESOURCES,**  
**LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE**  
**JUNE 30, 2015**  
**With Comparative Totals for the Fiscal Year Ended June 30, 2014**

	<u><b>2015</b></u>	<u><b>2014</b></u>
<b><u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Cash and checking accounts	\$ 386	\$ 136
Due from General Fund	114,455	33,176
Local option sales tax receivable	90,810	87,178
Accounts receivable	<u>248</u>	<u>-</u>
Total Assets	<u>205,899</u>	<u>120,490</u>
Deferred Outflows of Resources	<u>-</u>	<u>-</u>
<b>Total Assets and Deferred Outflows or Resources</b>	<b><u><u>\$ 205,899</u></u></b>	<b><u><u>\$ 120,490</u></u></b>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES</u></b> <b><u>AND FUND BALANCE</u></b>		
Liabilities:		
Accounts payable	<u>\$ 13,362</u>	<u>\$ 33,312</u>
Deferred Inflows of Resources	<u>-</u>	<u>-</u>
Fund Balance - Committed	<u>192,537</u>	<u>87,178</u>
<b>Total Liabilities, Deferred Inflows of Resources</b> <b>and Fund Balance</b>	<b><u><u>\$ 205,899</u></u></b>	<b><u><u>\$ 120,490</u></u></b>

See accompanying independent auditors' report and notes.

**CITY OF LOUDON, TENNESSEE**  
**RECREATION – NON-MAJOR GOVERNMENTAL**  
**RECREATION FUND – NON-MAJOR SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
**With Comparative Totals for the Fiscal Year Ended June 30, 2014**

	<b>Budget</b>			<b>Variance -</b>	
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Actual</u></b>	<b><u>Favorable -</u></b>	<b><u>Totals</u></b>
				<b><u>(Unfavorable)</u></b>	<b><u>2014</u></b>
<b>Revenues:</b>					
Local option sales tax	\$ 542,000	\$ 542,000	\$ 632,309	\$ 90,309	\$ 549,840
Swimming pool	25,500	25,500	40,735	15,235	4,656
Tournaments	1,500	1,500	13,325	11,825	1,600
Youth baseball/softball	11,750	11,750	10,087	(1,663)	11,315
Adult programs	4,300	4,300	-	(4,300)	7,125
Other recreation programs	7,500	7,500	7,253	(247)	1,757
Facilities rentals	-	-	8,020	8,020	8,470
Miscellaneous	1,368,715	68,715	11,796	(56,919)	237
Contributions	200	200	1,600	1,400	-
Total Revenues	<u>1,961,465</u>	<u>661,465</u>	<u>725,125</u>	<u>63,660</u>	<u>585,000</u>
<b>Expenditures:</b>					
<b>Administration:</b>					
Personnel and fringe	156,565	157,860	159,814	(1,954)	152,566
Supplies and services	36,200	40,275	34,195	6,080	35,506
Capital Outlay	5,575	3,775	2,801	974	12,106
<b>Recreation Programs:</b>					
Personnel and fringe	81,595	81,600	81,254	346	79,355
Supplies and services	15,025	13,525	8,496	5,029	5,452
<b>Swimming Pool:</b>					
Personnel and FICA	21,960	25,730	25,623	107	13,722
Supplies and services	33,130	32,360	30,786	1,574	28,198
Capital Outlay	1,300,000	370	370	-	14,800
<b>Performing Arts Center:</b>					
Personnel and FICA	550	550	-	550	-
Supplies and services	10,650	12,150	10,685	1,465	3,937
<b>Youth Baseball/Softball:</b>					
Personnel and FICA	3,845	4,565	4,531	34	5,885
Supplies and services	12,350	11,850	9,842	2,008	10,044
<b>Adult Ball Programs:</b>					
Personnel and FICA	10,545	5,545	4,997	548	6,998
Supplies and services	3,325	3,325	2,171	1,154	3,038
<b>Ball Tournaments:</b>					
Personnel and FICA	-	270	261	9	292
Supplies and services	675	535	-	535	-
<b>Parks maintenance:</b>					
Personnel and benefits	74,165	75,560	46,838	28,722	65,942
Supplies and services	181,860	165,005	129,462	35,543	167,240
Insurance	7,000	5,200	24,848	(19,648)	6,723
Park improvements	6,450	2,950	24,329	(21,379)	3,335

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**RECREATION – NON-MAJOR GOVERNMENTAL**  
**RECREATION FUND – NON-MAJOR SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL (Continued)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
**With Comparative Totals for the Fiscal Year Ended June 30, 2014**

	<u>Budget</u>		<u>Actual</u>	<u>Variance - Favorable - (Unfavorable)</u>	<u>Totals 2014</u>
	<u>Original</u>	<u>Final</u>			
<b>Expenditures (Continued):</b>					
<b>Recreation reserve:</b>					
Capital expenditures	-	-	-	-	8,995
Contractual services	-	-	-	-	-
Property tax	-	-	-	-	266
Debt service	-	-	-	-	-
Total Expenditures	<u>1,961,465</u>	<u>643,000</u>	<u>601,303</u>	<u>41,697</u>	<u>624,400</u>
Excess (Deficiency) of Revenues					
Over Expenditures	-	18,465	123,822	105,357	(39,400)
<b>Other Financing Sources (Uses):</b>					
Operating Transfers In	<u>-</u>	<u>(18,465)</u>	<u>(18,463)</u>	<u>2</u>	<u>36,865</u>
Excess (Deficiency) of Revenues					
and Other Financing Sources					
Over (Under) Expenditures	-	-	105,359	105,359	(2,535)
Fund Balance, Beginning of Year	<u>87,178</u>	<u>87,178</u>	<u>87,178</u>	<u>-</u>	<u>89,713</u>
<b>Fund Balance, End of Year</b>	<u><b>\$ 87,178</b></u>	<u><b>\$ 87,178</b></u>	<u><b>\$ 192,537</b></u>	<u><b>\$ 105,359</b></u>	<u><b>\$ 87,178</b></u>

See accompanying independent auditors' report and notes.



**CITY OF LOUDON, TENNESSEE**  
**POLICE DRUG FUND – NON-MAJOR GOVERNMENTAL**  
**SPECIAL REVENUE FUND**  
**SCHEDULE OF ASSETS, DEFERRED OUTFLOWS OF RESOURCES,**  
**LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE**  
**JUNE 30, 2015**  
**With Comparative Totals for the Fiscal Year Ended June 30, 2014**

	<u><b>2015</b></u>	<u><b>2014</b></u>
<b><u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Cash and checking account	\$ 6,427	\$ 7,749
Cash investments	51,341	74,212
Escrow funds	<u>28,796</u>	<u>28,796</u>
Total Assets	<u>86,564</u>	<u>110,757</u>
Deferred Outflows of Resources	<u>-</u>	<u>-</u>
<b>Total Assets and Deferred Inflows of Resources</b>	<b><u><u>\$ 86,564</u></u></b>	<b><u><u>\$ 110,757</u></u></b>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES</u></b> <b><u>AND FUND BALANCE</u></b>		
Liabilities:		
Accounts payable	\$ 195	\$ 340
Cash in escrow	<u>28,796</u>	<u>28,796</u>
Total Liabilities	<u>28,991</u>	<u>29,136</u>
Deferred Inflows of Resources	<u>-</u>	<u>-</u>
Fund Balance - restricted	<u>57,573</u>	<u>81,621</u>
<b>Total Liabilities, Deferred Inflows of Resources</b> <b>and Fund Balance</b>	<b><u><u>\$ 86,564</u></u></b>	<b><u><u>\$ 110,757</u></u></b>

See accompanying independent auditors' report and notes.

**CITY OF LOUDON, TENNESSEE**  
**POLICE DRUG FUND – NON-MAJOR GOVERNMENTAL**  
**SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
With Comparative Totals for the Fiscal Year Ended June 30, 2014

	<b>Budget</b>			<b>Variance -</b>	
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Actual</u></b>	<b><u>Favorable -</u></b>	<b><u>Totals</u></b>
				<b><u>(Unfavorable)</u></b>	<b><u>2014</u></b>
<b>Revenues:</b>					
Drug fine/seized vehicles	\$ 2,000	\$ 2,000	\$ 2,394	\$ 394	\$ 2,449
Interest earned	160	160	134	(26)	161
Contributions	10,000	10,000	4,987	(5,013)	8,956
Miscellaneous	<u>-</u>	<u>-</u>	<u>150</u>	<u>150</u>	<u>-</u>
Total Revenues	<u>12,160</u>	<u>12,160</u>	<u>7,665</u>	<u>(4,495)</u>	<u>11,566</u>
<b>Expenditures:</b>					
Public relations	1,000	1,000	500	500	257
Vehicle towing/storage	1,000	1,000	150	850	350
Advertising	1,000	1,000	-	1,000	110
Contractual services	2,000	930	-	930	215
Case related expenses	1,500	2,110	2,105	5	2,315
Police vehicle	26,000	26,000	23,964	2,036	26,765
Computer equipment	2,000	2,000	550	1,450	-
Equipment	4,000	4,260	4,254	6	-
Internet	<u>-</u>	<u>200</u>	<u>190</u>	<u>10</u>	<u>-</u>
Total Expenditures	<u>38,500</u>	<u>38,500</u>	<u>31,713</u>	<u>6,787</u>	<u>30,012</u>
Excess (Deficiency) of Revenues Over Expenditures	(26,340)	(26,340)	(24,048)	2,292	(18,446)
Fund Balance, Beginning of Year	<u>81,621</u>	<u>81,621</u>	<u>81,621</u>	<u>-</u>	<u>100,067</u>
<b>Fund Balance, End of Year</b>	<b><u>\$ 55,281</u></b>	<b><u>\$ 55,281</u></b>	<b><u>\$ 57,573</u></b>	<b><u>\$ 2,292</u></b>	<b><u>\$ 81,621</u></b>

See accompanying independent auditors' report and notes.

**CITY OF LOUDON, TENNESSEE**  
**CABLE TV AUTHORITY – NON-MAJOR GOVERNMENTAL**  
**SPECIAL REVENUE FUND**  
**SCHEDULE OF ASSETS, DEFERRED OUTFLOWS OF RESOURCES,**  
**LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE**  
**JUNE 30, 2015**  
**With Comparative Totals for the Fiscal Year Ended June 30, 2014**

	<u><b>2015</b></u>	<u><b>2014</b></u>
<b><u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Cash investments	\$ 99,793	\$ 107,278
Accounts receivable	-	-
Due from General Fund	-	-
Due from Loudon County government	<u>25,001</u>	<u>25,001</u>
Total Assets	<u>124,794</u>	<u>132,279</u>
Deferred Outflows of Resources	<u>-</u>	<u>-</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u><u>\$ 124,794</u></u></b>	<b><u><u>\$ 132,279</u></u></b>
<b><u>LIABILITIES DEFERRED INFLOWS OF RESOURCES</u></b> <b><u>AND FUND BALANCE</u></b>		
Liabilities:		
Accounts payable	<u>\$ 1,426</u>	<u>\$ 998</u>
Deferred Inflows of Resources	<u>-</u>	<u>-</u>
Fund Balance - assigned	<u>123,368</u>	<u>131,281</u>
<b>Total Liabilities, Deferred Inflows of Resources</b> <b>and Fund Balance</b>	<b><u><u>\$ 124,794</u></u></b>	<b><u><u>\$ 132,279</u></u></b>

See accompanying independent auditors' report and notes.

**CITY OF LOUDON, TENNESSEE**  
**CABLE TV AUTHORITY – NON-MAJOR GOVERNMENTAL**  
**SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
With Comparative Totals for the Fiscal Year Ended June 30, 2014

	<b>Budget</b>			<b>Variance -</b>	
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Actual</u></b>	<b><u>Favorable -</u></b>	<b><u>Totals</u></b>
				<b><u>(Unfavorable)</u></b>	<b><u>2014</u></b>
<b>Revenues:</b>					
Interest earnings	\$ 125	\$ 125	\$ 138	\$ 13	\$ 150
City of Loudon	2,220	2,220	2,220	-	2,691
Lenoir City	3,330	2,330	3,330	-	4,116
Loudon County	<u>6,785</u>	<u>6,785</u>	<u>3,042</u>	<u>(3,743)</u>	<u>8,278</u>
Total Revenues	<u>12,460</u>	<u>12,460</u>	<u>8,730</u>	<u>(3,730)</u>	<u>15,235</u>
<b>Expenditures:</b>					
Board and committee fees	1,440	1,440	1,120	320	675
Other Supplies	200	300	276	24	138
Legal services	-	-	-	-	-
Contractual services	10,600	10,600	4,719	5,881	9,667
Communications	650	650	599	51	611
Office supplies	200	100	13	87	-
Materials and equipment	<u>8,000</u>	<u>8,000</u>	<u>9,916</u>	<u>(1,916)</u>	<u>1,739</u>
Total Expenditures	<u>21,090</u>	<u>21,090</u>	<u>16,643</u>	<u>4,447</u>	<u>12,830</u>
Excess (Deficiency) of Revenues Over Expenditures	(8,630)	(8,630)	(7,913)	717	2,405
Fund Balance, Beginning of Year	<u>131,281</u>	<u>131,281</u>	<u>131,281</u>	<u>-</u>	<u>128,876</u>
<b>Fund Balance End of Year</b>	<b><u>\$ 122,651</u></b>	<b><u>\$ 122,651</u></b>	<b><u>\$ 123,368</u></b>	<b><u>\$ 717</u></b>	<b><u>\$ 131,281</u></b>

See accompanying independent auditors' report and notes.

**CITY OF LOUDON, TENNESSEE**  
**BLAIR BEND INDUSTRIAL PARK – NON-MAJOR GOVERNMENTAL**  
**CAPITAL PROJECT FUND**  
**SCHEDULE OF ASSETS, DEFERRED OUTFLOWS OF RESOURCES,**  
**LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE**  
**JUNE 30, 2015**  
**With Comparative Totals for the Fiscal Year Ended June 30, 2014**

	<u><b>2015</b></u>	<u><b>2014</b></u>
<b><u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Cash and checking account	\$ 37,073	\$ 1,308
Cash investments	579,327	578,520
Accounts receivable	<u>-</u>	<u>28,980</u>
Total Assets	<u>616,400</u>	<u>608,808</u>
Deferred Outflows of Resources	<u>-</u>	<u>-</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u>\$ 616,400</u></b>	<b><u>\$ 608,808</u></b>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES</u></b> <b><u>AND FUND BALANCE</u></b>		
Liabilities:		
Accounts payable	\$ 139	\$ 270
Other liabilities	<u>12,034</u>	<u>12,178</u>
Total Liabilities	<u>12,173</u>	<u>12,448</u>
Deferred Inflows of Resources	<u>-</u>	<u>-</u>
Fund Balance – assigned	<u>604,227</u>	<u>596,360</u>
<b>Total Liabilities, Deferred Inflows of Resources</b> <b>and Fund Balance</b>	<b><u>\$ 616,400</u></b>	<b><u>\$ 608,808</u></b>

See accompanying independent auditors' report and notes.

**CITY OF LOUDON, TENNESSEE**  
**BLAIR BEND INDUSTRIAL PARK – NON-MAJOR GOVERNMENTAL**  
**CAPITAL PROJECT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
With Comparative Totals for the Fiscal Year Ended June 30, 2014

	<b>Budget</b>			<b>Variance -</b>	
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Actual</u></b>	<b><u>Favorable -</u></b>	<b><u>Totals</u></b>
				<b><u>(Unfavorable)</u></b>	<b><u>2014</u></b>
<b>Revenues:</b>					
Sale of Land – Sugar Limb	\$ -	\$ -	\$ -	\$ -	\$ 53,610
Interest earned – Blair Bend	300	300	275	(25)	336
Interest earned – Sugar Limb	580	480	568	(12)	592
Lease income/miscellaneous	-	-	27,000	27,000	3,500
Tobacco transition income	340	340	18	(322)	353
Grants	<u>15,000</u>	<u>15,000</u>	<u>2,672</u>	<u>(12,328)</u>	
Total Revenues	<u>16,220</u>	<u>16,220</u>	<u>30,533</u>	<u>14,313</u>	<u>58,391</u>
<b>Expenditures:</b>					
Williamson House:					
Personnel and fringe	2,716	3,016	3,006	10	2,844
Contracted services	1,585	1,285	745	540	862
Blair Bend Industrial Park:					
Personnel and fringe	3,395	3,395	2,392	1,003	2,375
Contracted services	3,550	3,550	2,097	1,453	2,161
Capital expenditure - Land	-	-	-	-	15,000
Sugar Limb Industrial Park:					
Personnel and fringe	3,100	3,100	2,235	865	3,149
Contracted services	31,400	31,400	12,191	19,209	4,569
Capital expenditure – Site prep	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>298,625</u>
Total Expenditures	<u>45,746</u>	<u>45,746</u>	<u>22,666</u>	<u>23,080</u>	<u>329,585</u>
Excess (Deficiency) of Revenues					
Over Expenditures	(29,526)	(29,526)	7,867	37,393	(271,194)
Fund Balance, Beginning of Year	<u>596,360</u>	<u>596,360</u>	<u>596,360</u>	<u>-</u>	<u>867,554</u>
<b>Fund Balance, End of Year</b>	<b><u>\$ 566,834</u></b>	<b><u>\$ 566,834</u></b>	<b><u>\$ 604,227</u></b>	<b><u>\$ 37,393</u></b>	<b><u>\$ 596,360</u></b>

See accompanying independent auditors' report and notes.

**CITY OF LOUDON, TENNESSEE**  
**COURTHOUSE REVITALIZATION – NON MAJOR GOVERNMENTAL CAPITAL PROJECT FUND**  
**SCHEDULE OF ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES,**  
**DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE**  
**JUNE 30, 2015**  
**With Comparative Totals for the Fiscal Year Ended June 30, 2014**

**ASSETS AND DEFERRED OUTFLOWS OF  
RESOURCES**

	<u><b>2015</b></u>	<u><b>2014</b></u>
Cash investments	\$ 485,126	\$ 560,768
Deferred Outflows of Resources	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<u><b>\$ 485,126</b></u>	<u><b>\$ 560,768</b></u>

**LIABILITIES AND FUND BALANCE**

Liabilities - Accounts payable	\$ -	\$ 221
Deferred Inflows of Resources	-	-
Fund Balance – restricted	485,126	560,547
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<u><b>\$ 485,126</b></u>	<u><b>\$ 560,768</b></u>

See accompanying independent auditors' report and notes.

**CITY OF LOUDON, TENNESSEE**  
**COURTHOUSE REVITALIZATION – NON-MAJOR GOVERNMENTAL CAPITAL PROJECT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
**With Comparative Totals for the Fiscal Year Ended June 30, 2014**

	<u>Budget</u>		<u>Actual</u>	<u>Variance- Favorable- (Unfavorable)</u>	<u>Totals 2014</u>
	<u>Original</u>	<u>Final</u>			
<b>Revenues:</b>					
State sales tax	\$ 145,000	\$ 145,000	\$ 129,212	\$ (15,788)	\$ 165,286
Interest earned	<u>900</u>	<u>900</u>	<u>838</u>	<u>(62)</u>	<u>983</u>
Total Revenues	<u>145,900</u>	<u>145,900</u>	<u>130,050</u>	<u>(15,850)</u>	<u>166,269</u>
<b>Expenditures:</b>	<u>511,864</u>	<u>511,864</u>	<u>205,471</u>	<u>306,393</u>	<u>238,847</u>
Excess (Deficiency) of Revenues Over Expenditures	(365,964)	(365,964)	(75,421)	290,543	(72,578)
Fund Balance, Beginning of year	<u>560,547</u>	<u>560,547</u>	<u>560,547</u>	<u>-</u>	<u>633,125</u>
<b>Fund Balance, End of year</b>	<b><u>\$ 194,583</u></b>	<b><u>\$ 194,583</u></b>	<b><u>\$ 485,126</u></b>	<b><u>\$ 290,543</u></b>	<b><u>\$ 560,547</u></b>

See accompanying independent auditors' report and notes.



**CITY OF LOUDON, TENNESSEE**  
**CONSTRUCTION FUND – NON MAJOR GOVERNMENTAL CAPITAL PROJECT**  
**FUND SCHEDULE OF ASSETS, DEFERRED OUTFLOWS OF RESOURCES,**  
**LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE**  
**JUNE 30, 2015**  
 With Comparative Totals for the Fiscal Year Ended June 30, 2014

**ASSETS AND DEFERRED OUTFLOWS OF  
RESOURCES**

	<u><b>2015</b></u>	<u><b>2014</b></u>
Cash investments	\$ -	\$ -
Deferred Outflows of Resources	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<u><u><b>\$ -</b></u></u>	<u><u><b>\$ -</b></u></u>

**LIABILITIES AND FUND BALANCE**

Liabilities - Accounts payable	\$ -	\$ -
Deferred Inflows of Resources	-	-
Fund Balance – restricted	-	-
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<u><u><b>\$ -</b></u></u>	<u><u><b>\$ -</b></u></u>

See accompanying independent auditors' report and notes.

**CITY OF LOUDON, TENNESSEE**  
**CONSTRUCTION FUND – NON-MAJOR GOVERNMENTAL CAPITAL PROJECT**  
**FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCE – BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
With Comparative Totals for the Fiscal Year Ended June 30, 2014

	<u>Budget</u>		<u>Actual</u>	<u>Variance- Favorable- (Unfavorable)</u>	<u>Totals 2014</u>
	<u>Original</u>	<u>Final</u>			
<b>Revenues:</b>					
Interest earned	\$ -	\$ 313	\$ 313	\$ -	\$ -
Total Revenues	-	313	313	-	-
<b>Expenditures:</b>					
Professional fees	-	1,000	1,000	-	-
Fire protection improvements	-	83,156	83,156	-	-
Swimming pool improvements	-	1,316,157	1,316,157	-	-
Total Expenditures	-	1,400,313	1,400,313	-	-
Other Financing Sources (Uses):					
Transfer from General Bond Proceeds	-	1,400,000	1,400,000	-	-
Excess (Deficiency) of Revenues Over Expenditures	-	-	-	-	-
Fund Balance, Beginning of year	-	-	-	-	-
<b>Fund Balance, End of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

See accompanying independent auditors' report and notes.

**CITY OF LOUDON, TENNESSEE**

**ENTERPRISE FUNDS**

June 30, 2015

**CITY OF LOUDON, TENNESSEE**  
**ELECTRIC UTILITY FUND – ENTERPRISE FUND**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**  
With Comparative Totals for the Year Ended June 30, 2014

	<b>Business-Type Activities</b>	
	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash		
Operating accounts	\$ 3,527,158	\$ 6,584,497
Cash investments	<u>8,634,932</u>	<u>6,110,819</u>
Total Cash	<u>12,162,090</u>	<u>12,695,316</u>
<b>Receivables:</b>		
Trade accounts, net of allowance	6,257,163	6,227,417
Rents	85,924	85,924
Other	<u>1,407,190</u>	<u>1,270,629</u>
Net receivables	<u>7,750,277</u>	<u>7,583,970</u>
<b>Materials and supplies – Inventory</b>	<u>583,254</u>	<u>681,988</u>
Total Current Assets	<u>20,495,621</u>	<u>20,961,274</u>
<b>Capital Assets:</b>		
Land (non-depreciable)	447,508	447,508
Capital assets in service – at cost	41,605,127	41,318,984
Less accumulated depreciation	<u>(18,397,288)</u>	<u>(17,571,390)</u>
	23,655,347	24,195,102
<b>Construction in progress</b>	<u>8,110,922</u>	<u>5,492,579</u>
Total Net Capital Assets	<u>31,766,269</u>	<u>29,687,681</u>
<b>Restricted Assets:</b>		
Paying agent accounts	2,975	472,701
Debt reserve funds	3,118	3,005
Retirement escrow account	<u>-</u>	<u>149,116</u>
Total Restricted Assets	<u>6,093</u>	<u>624,822</u>
<b>Other Assets and Deferred Charges:</b>		
Net Pension Asset	203,421	-
Energy Right loans receivable	369,341	363,734
Aid-to-construction costs receivable	<u>162,620</u>	<u>139,100</u>
Total Other Assets and Deferred Charges	<u>735,382</u>	<u>502,834</u>
<b>Deferred Outflows of Resources - Pension</b>	<u>46,321</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>53,049,686</u>	<u>51,776,611</u>

See accompanying independent auditors' report and notes.

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**ELECTRIC UTILITY FUND – ENTERPRISE FUND**  
**STATEMENT OF NET POSITION (Continued)**  
**JUNE 30, 2015**  
With Comparative Totals for the Year Ended June 30, 2014

	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>Business-Type Activities</b>		
<b>Liabilities and Net Position</b>		
<b>Current liabilities:</b>		
Trade accounts payable	7,925,331	7,857,890
Due to other departments for customer billings	1,852,537	1,705,618
Notes/Bonds payable – current portion	-	250,000
Refundable customer advances for construction	27,112	27,195
Compensated absences	111,131	123,563
Other accrued expenses	49,911	46,872
OPEB liability	<u>461,121</u>	<u>675,140</u>
Total Current Liabilities	<u>10,427,143</u>	<u>10,686,278</u>
<b>Other Liabilities:</b>		
Deposits and advances	<u>347,535</u>	<u>281,700</u>
<b>Long-Term Liabilities:</b>		
Compensated absences	<u>356,273</u>	<u>327,449</u>
<b>Deferred Inflow of Resources - Pension</b>	<u>217,118</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>11,348,069</u>	<u>11,295,427</u>
<b>Net Position:</b>		
Unrestricted	9,731,927	11,043,503
Restricted - Pension	203,421	-
Net investment in capital assets	<u>31,766,269</u>	<u>29,437,681</u>
<b>Total Net Position</b>	<b><u>\$ 41,701,617</u></b>	<b><u>\$ 40,481,184</u></b>

See accompanying independent auditors' report and notes.

**CITY OF LOUDON, TENNESSEE**  
**ELECTRIC UTILITY FUND – ENTERPRISE FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
With Comparative Totals for the Fiscal Year Ended June 30, 2014

	<b>Business-Type Activities</b>	
	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>Operating Revenues:</b>		
Residential sales	\$ 15,894,611	\$ 15,746,565
Commercial, industrial and interruptible sales	30,304,051	30,312,371
Street and outdoor lighting sales	463,851	463,028
Forfeited discounts	279,447	262,464
Rent	621,846	619,242
Other revenues	86,073	173,326
Unbilled revenue	<u>144,461</u>	<u>60,463</u>
Total Operating Revenues	<u>47,794,340</u>	<u>47,637,459</u>
<b>Operating Expenses:</b>		
Electric power purchased and Facilities rental	<u>40,506,056</u>	<u>39,692,023</u>
System operations		
Distribution and operation	1,170,003	1,040,160
Customer accounts	455,239	413,103
Administrative and general	<u>759,891</u>	<u>1,210,086</u>
	<u>2,385,133</u>	<u>2,663,349</u>
Maintenance		
Distribution and operations	<u>1,453,069</u>	<u>1,324,071</u>
Depreciation	<u>1,075,483</u>	<u>1,047,536</u>
Total Operating Expenses	<u>45,419,741</u>	<u>44,726,979</u>
Operating Income	<u>2,374,599</u>	<u>2,910,480</u>
<b>Non-operating Revenues (Expenses):</b>		
Interest income	8,617	12,429
Interest expense	<u>(14,500)</u>	<u>(28,750)</u>
Total Non-operating Revenues (Expenses)	<u>(5,883)</u>	<u>(16,321)</u>
Net Income Before Transfers	2,368,716	2,894,159
Transfers Out – Payments in lieu of taxes	<u>(660,000)</u>	<u>(600,000)</u>
Change in Net Position	<u>1,708,716</u>	<u>2,294,159</u>
Net Position – Beginning of Year	40,481,184	38,187,025
Restatement – Pension Note	<u>(488,283)</u>	<u>-</u>
Adjusted Net Position – Beginning of Year	<u>39,992,901</u>	<u>38,187,025</u>
<b>Net Position – End of Year</b>	<b><u>\$ 41,701,617</u></b>	<b><u>\$ 40,481,184</u></b>

See accompanying independent auditors' report and notes.

**CITY OF LOUDON, TENNESSEE**  
**ELECTRIC UTILITY FUND – ENTERPRISE FUND**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
With Comparative Totals for the Year Ended June 30, 2014

	<b>Business-Type Activities</b>	
	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers	\$ 47,628,033	\$ 47,432,728
Cash payments to suppliers for goods and services	(42,597,859)	(41,338,808)
Cash payments to employees for services/benefits	<u>(2,208,720)</u>	<u>(2,131,862)</u>
Net Cash Flows from Operating Activities	<u>2,821,454</u>	<u>3,962,058</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>		
Transfers Out – Payments in lieu of taxes	(660,000)	(600,000)
Customer deposits	<u>65,835</u>	<u>50,475</u>
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>(594,165)</u>	<u>(549,525)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Additions to property, plant, and equipment	(3,123,361)	(3,051,224)
Principal paid on bonds and loans	(250,000)	(250,000)
Interest paid on bonds and loans	<u>(14,500)</u>	<u>(28,750)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(3,387,861)</u>	<u>(3,329,974)</u>
<b>Cash Flows from Investing Activities:</b>		
Interest on investments	<u>8,617</u>	<u>12,429</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,151,955)	94,988
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>13,320,138</u>	<u>13,225,150</u>
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$ 12,168,183</u></b>	<b><u>\$ 13,320,138</u></b>
<b>Cash and Cash Equivalents consists of:</b>		
Cash and checking accounts	\$ 3,527,158	\$ 6,584,497
Temporary investments	8,634,932	6,110,819
Restricted cash and investments	<u>6,093</u>	<u>624,822</u>
<b>Totals</b>	<b><u>\$ 12,168,183</u></b>	<b><u>\$ 13,320,138</u></b>
<b>Reconciliation of Operation Income to Net Cash Flows Provided by Operating Activities:</b>		
Operating income	\$ 2,374,599	\$ 2,910,480
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	1,075,483	1,047,536
Provision for uncollectible accounts	(167,711)	(166,479)
Change in assets and liabilities:		
Receivables	(166,307)	(204,731)
Interdepartmental accounts payable	146,919	(82,496)
Materials and supplies	98,734	(114,360)
Accounts payable	67,441	406,797
Other current liabilities	(223,495)	212,614
Compensated absences	16,392	(757)
Other Assets	<u>(400,601)</u>	<u>(46,546)</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 2,821,454</u></b>	<b><u>\$ 3,962,058</u></b>

See accompanying independent auditors' report and notes.

**CITY OF LOUDON, TENNESSEE**  
**GAS UTILITY FUND – ENTERPRISE FUND**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

With Comparative Totals for the Year Ended June 30, 2014

	<b>Business-Type Activities</b>	
<b>ASSETS</b>	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>Current assets:</b>		
Cash:		
Operating accounts	\$ 5,000	\$ 5,000
Cash investments	14,988,960	14,074,861
Miscellaneous accounts receivable	87,777	1,218
Due from Electric Department for customer billings	1,387,148	1,297,234
Natural gas in storage	377,593	504,755
Materials and supplies	64,689	63,193
Loan Receivable – Sewer Fund	<u>1,308,432</u>	<u>-</u>
Total Current Assets	<u>18,219,599</u>	<u>15,946,261</u>
<b>Restricted Assets:</b>		
TCRS reserve funds	<u>-</u>	<u>75,720</u>
<b>Other Assets:</b>		
Net Pension Asset	<u>82,804</u>	<u>-</u>
<b>Capital Assets:</b>		
Investment in land	1,299,300	1,299,300
Capital assets in service – at cost	19,955,274	19,554,049
Less accumulated depreciation	(10,333,508)	(9,874,254)
Construction in Progress	<u>500</u>	<u>-</u>
Net Capital Assets	<u>10,921,566</u>	<u>10,979,095</u>
<b>DEFERRED OUTFLOWS OF RESOURCES - PENSION</b>	<u>17,099</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>29,241,068</u>	<u>27,001,076</u>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Trade accounts payable	1,323,277	1,328,532
Accrued liabilities	19,418	17,748
Compensated absences	142,237	154,104
OPEB Liability	<u>145,167</u>	<u>217,971</u>
Total Current Liabilities	<u>1,630,099</u>	<u>1,718,355</u>
<b>Non-Current Liabilities:</b>		
Compensated absences	<u>213,355</u>	<u>231,155</u>
<b>DEFERRED INFLOWS OF RESOURCES – PENSION</b>	<u>89,365</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>1,932,819</u>	<u>1,949,510</u>
<b>NET POSITION:</b>		
Unrestricted	16,303,879	14,072,471
Restricted - Pension	82,804	-
Investment in capital assets	<u>10,921,566</u>	<u>10,979,095</u>
<b>Total Net Position</b>	<b><u>\$ 27,308,249</u></b>	<b><u>\$ 25,051,566</u></b>

See accompanying independent auditors' report and notes.



**CITY OF LOUDON, TENNESSEE**  
**GAS UTILITY FUND – ENTERPRISE FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
With Comparative Totals for the Fiscal Year Ended June 30, 2014

	<b>Business-Type Activities</b>	
	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>Operating Revenues:</b>		
Residential sales	\$ 1,966,491	\$ 2,146,323
Commercial, industrial and interruptible sales	18,669,123	19,599,608
Rent	39,840	34,340
Other revenues	<u>152,891</u>	<u>147,856</u>
Total Operating Revenues	<u>20,828,345</u>	<u>21,928,127</u>
<b>Operating Expenses:</b>		
Natural gas purchased	<u>15,837,050</u>	<u>16,523,045</u>
System operations		
Distribution and operation	803,322	726,498
Customer accounts	45,929	29,303
Administrative and general	<u>413,982</u>	<u>751,637</u>
	<u>1,263,233</u>	<u>1,507,438</u>
Maintenance		
Distribution and operations	227,099	217,346
Administrative and general	<u>139,886</u>	<u>339,864</u>
	<u>366,985</u>	<u>557,210</u>
Depreciation	<u>459,253</u>	<u>465,347</u>
Total Operating Expenses	<u>17,926,521</u>	<u>19,053,040</u>
Operating Income	2,901,824	2,875,087
<b>Nonoperating Revenues (Expenses):</b>		
Interest income	<u>20,402</u>	<u>14,776</u>
Net Income Before Transfers	2,922,226	2,889,863
Transfers Out – Payments in lieu of taxes	<u>(324,000)</u>	<u>(324,000)</u>
Change in Net Position	<u>2,598,226</u>	<u>2,565,863</u>
Net Position – Beginning of Year	25,051,566	22,485,703
Restatement – Pension Note	<u>(341,543)</u>	<u>-</u>
Adjusted Net Position – Beginning of Year	<u>24,710,023</u>	<u>22,485,703</u>
<b>Net Position – End of Year</b>	<b><u>\$ 27,308,249</u></b>	<b><u>\$ 25,051,566</u></b>

See accompanying independent auditors' report and notes.

**CITY OF LOUDON, TENNESSEE**  
**GAS UTILITY FUND – ENTERPRISE FUND**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
With Comparative Totals for the Fiscal Year Ended June 30, 2014

	<b>Business-Type Activities</b>	
	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers	\$ 20,306,069	\$ 22,035,177
Cash payments to suppliers for goods and services	(16,489,375)	(17,344,436)
Cash payments to employees for services/benefits	<u>(964,560)</u>	<u>(1,159,578)</u>
Net Cash Flows from Operating Activities	2,852,134	3,531,163
<b>Cash Flows From Non-Capital Financing Activities:</b>		
Transfers Out-Payments in lieu of taxes	(324,000)	(324,000)
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Additions to property, plant and equipment	(401,725)	(361,390)
Loan to Sewer Fund	<u>(1,308,432)</u>	<u>-</u>
Total Cash Flows from Capital and Related Financing Activities	<u>(1,710,157)</u>	<u>(361,390)</u>
<b>Cash Flows from Investing Activities:</b>		
Interest on investments	<u>20,402</u>	<u>14,776</u>
Net Increase in Cash and Cash Equivalents	838,379	2,860,549
Cash and Cash Equivalents at Beginning of Year	<u>14,155,581</u>	<u>11,295,032</u>
<b>Cash and Cash Equivalents at End of Year:</b>	<b><u>\$ 14,993,960</u></b>	<b><u>\$ 14,155,581</u></b>
<b>Cash and Cash Equivalents consists of:</b>		
Cash and checking accounts	\$ 5,000	\$ 5,000
Temporary investments	14,988,960	14,074,861
Restricted cash and investments	<u>-</u>	<u>75,720</u>
<b>Totals</b>	<b><u>\$ 14,993,960</u></b>	<b><u>\$ 14,155,581</u></b>
<b>Reconciliation of Operating Income to Net Cash Flows Provided by Operating Activities:</b>		
Operating income	\$ 2,901,824	\$ 2,875,087
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	459,253	465,347
Change in assets and liabilities:		
Receivables	(86,559)	(634)
Interdepartmental accounts receivable	(89,914)	107,684
Gas in storage	127,162	(973)
Materials and supplies	(1,496)	7,275
Accrued liabilities	(344,133)	(229)
Accounts payable/OPEB payable	(84,336)	59,576
Compensated absences	<u>(29,667)</u>	<u>18,030</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 2,852,134</u></b>	<b><u>\$ 3,531,163</u></b>

See accompanying independent auditors' report and notes.

**CITY OF LOUDON, TENNESSEE**  
**WATER AND SEWER UTILITY FUND – ENTERPRISE FUND**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**  
With Comparative Totals for the Year Ended June 30, 2014

	<b>Business-Type Activities</b>	
	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash		
Operating accounts	\$ 1,260,848	\$ 452,212
Temporary cash investments	558,215	582,672
Cash investments – Construction Fund	<u>24,242</u>	<u>1,550,923</u>
Total Cash	<u>1,843,305</u>	<u>2,585,807</u>
Due from Electric Department for customer billings	465,389	408,384
Other receivables	<u>240,465</u>	<u>147,697</u>
Net receivables	<u>705,854</u>	<u>556,081</u>
Prepaid expenses	10,380	8,650
Materials and supplies	<u>111,817</u>	<u>111,268</u>
Total Inventory/Prepays	<u>122,197</u>	<u>119,918</u>
Total Current Assets	<u>2,671,356</u>	<u>3,261,806</u>
<b>Restricted Assets:</b>		
Retainage	192,642	503,610
Debt reserve funds	1,324,694	1,324,694
TCRS reserve funds	-	242,744
Facilities reserve for expansion	<u>491,383</u>	<u>437,651</u>
Total Restricted Assets	<u>2,008,719</u>	<u>2,508,699</u>
<b>Other Assets:</b>		
Net Pension Asset	<u>35,148</u>	<u>-</u>
<b>Capital Assets:</b>		
Investment in land	483,681	483,681
Capital assets in service – at cost	63,136,730	60,655,788
Less accumulated depreciation	<u>(27,617,246)</u>	<u>(26,138,884)</u>
	36,003,165	35,000,585
Construction in progress	<u>15,788,555</u>	<u>13,983,425</u>
Total Net Capital Assets	<u>51,791,720</u>	<u>48,984,010</u>
<b>Deferred Outflows of Resources:</b>		
Deferred regulatory charges – bond issuance costs	230,738	244,375
Pension – GASB 68	<u>950,636</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>1,181,374</u>	<u>244,375</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u>57,688,317</u></b>	<b><u>54,998,890</u></b>

See accompanying independent auditors' report and notes.

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**WATER AND SEWER UTILITY FUND – ENTERPRISE FUND**  
**STATEMENT OF NET POSITION (Continued)**  
**JUNE 30, 2015**  
With Comparative Totals for the Year Ended June 30, 2014

	<b>Business-Type Activities</b>	
	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Trade accounts payable	581,806	742,460
Accrued liabilities	54,340	52,105
Compensated absences	122,412	183,352
Current portion of long-term debt	1,735,794	1,658,306
Accrued interest	206,494	183,352
OPEB liability	606,738	144,845
Net Pension Liability	<u>47,467</u>	<u>-</u>
Total Current Liabilities	<u>3,355,051</u>	<u>2,964,420</u>
 <b>Long-Term Debt:</b>		
Bonds payable	13,126,765	13,627,492
Notes payable	13,324,048	12,895,203
Compensated absences	<u>457,868</u>	<u>427,822</u>
Total Long-term Debt	<u>26,908,681</u>	<u>26,950,517</u>
 <b>Deferred Inflows of Resources:</b>		
Deferred regulatory bond premium	608,508	622,145
Pension	<u>305,543</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>914,051</u>	<u>622,145</u>
 Total Liabilities and Deferred Inflows of Resources	<u>31,177,783</u>	<u>30,537,082</u>
 <b>Net Position:</b>		
Unrestricted	2,870,273	3,658,799
Restricted - Pension	35,148	-
Net investment in capital assets	<u>23,605,113</u>	<u>20,803,009</u>
 <b>Total Net Position</b>	<b><u>\$ 26,510,534</u></b>	<b><u>\$ 24,461,808</u></b>

See accompanying independent auditors' report and notes.

**CITY OF LOUDON, TENNESSEE**  
**WATER AND SEWER UTILITY FUND – ENTERPRISE FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
**With Comparative Totals for the Fiscal Year Ended June 30, 2014**

	<b>Business-Type Activities</b>	
	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>Operating Revenues</b>		
Residential sales	\$ 1,989,244	\$ 1,905,462
Commercial, industrial and interruptible sales	9,301,902	9,060,259
Other revenues	<u>30,240</u>	<u>16,835</u>
Total Operating Revenues	<u>11,321,386</u>	<u>10,982,556</u>
 System operations		
Distribution and operation	3,901,360	4,388,138
Customer accounts	88,454	152,781
Administrative and general	<u>1,113,353</u>	<u>1,292,159</u>
	<u>5,103,167</u>	<u>5,833,078</u>
 Maintenance		
Distribution and operations	1,001,901	844,828
Administrative and general	<u>203,682</u>	<u>249,005</u>
	<u>1,205,583</u>	<u>1,093,833</u>
 Depreciation	<u>1,478,363</u>	<u>1,362,425</u>
 Total Operating Expenses	<u>7,787,113</u>	<u>8,289,336</u>
 Operating Income	<u>3,534,273</u>	<u>2,693,220</u>
 <b>Non-operating Revenues (Expenses)</b>		
Interest income	4,565	9,818
Interest expense	(901,938)	(921,563)
Amortization of debt expense	<u>(13,637)</u>	<u>(13,637)</u>
Total Non-operating Revenues (Expenses)	<u>(911,010)</u>	<u>(925,382)</u>
 Net Income Before Transfers	2,623,263	1,767,838
 Transfers Out – Payments in lieu of taxes	<u>(421,704)</u>	<u>(421,704)</u>
 Income Before Contributions	2,201,559	1,346,134
Contributions	<u>67,497</u>	<u>-</u>
 Change in Net Position	<u>2,269,056</u>	<u>1,346,134</u>
 Net Position – Beginning of Year	24,461,808	23,115,674
 Restatement – Pension Note	<u>(220,330)</u>	<u>-</u>
 Adjusted Net Position – Beginning of Year	<u>24,241,478</u>	<u>23,115,674</u>
 <b>Net Position – End of Year</b>	<b><u>\$ 26,510,534</u></b>	<b><u>\$ 24,461,808</u></b>

See accompanying independent auditors' report and notes.

**CITY OF LOUDON, TENNESSEE**  
**WATER AND SEWER UTILITY FUND – ENTERPRISE FUND**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
With Comparative Totals for the Year Ended June 30, 2014

	<b>Business-Type Activities</b>	
	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers	\$ 11,311,132	\$ 10,970,714
Cash payments to suppliers for goods and services	(4,482,131)	(4,076,324)
Cash payments to employees for services/benefits	<u>(1,704,426)</u>	<u>(3,153,151)</u>
Net Cash Flows from Operating Activities	<u>5,124,575</u>	<u>3,741,239</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>		
Transfers Out – Payments in lieu of taxes	<u>(421,704)</u>	<u>(421,704)</u>
<b>Cash Flows from Capital and Related:</b>		
Financing Activities		
Additions to property, plant, and equipment	(5,099,089)	(7,809,029)
Additions to loans/bonds	1,708,432	985,120
Principal paid on bonds and loans	(1,658,306)	(1,643,178)
Interest paid on bonds and loans	<u>(900,955)</u>	<u>(935,357)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(5,949,918)</u>	<u>(9,402,444)</u>
<b>Cash Flows from Investing Activities:</b>		
Interest on investments	<u>4,565</u>	<u>9,818</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,242,482)	(6,073,091)
Cash and Cash Equivalents at Beginning of Year	<u>5,094,506</u>	<u>11,167,597</u>
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$ 3,582,024</u></b>	<b><u>\$ 5,094,506</u></b>
<b>Cash and Cash Equivalents consists of:</b>		
Cash and checking accounts	\$ 1,260,848	\$ 452,212
Temporary investments	582,457	2,133,595
Restricted cash and investments	<u>2,008,719</u>	<u>2,508,699</u>
<b>Totals</b>	<b><u>\$ 3,852,024</u></b>	<b><u>\$ 5,094,506</u></b>
<b>Reconciliation of Operating Income to Net Cash Flows Provided by Operating Activities:</b>		
Operating income	\$ 3,534,273	\$ 2,693,220
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation (\$1,478,363) and amortization (\$13,637)	1,492,000	1,376,062
Change in assets and liabilities:		
Receivables	(149,773)	(11,842)
Materials and supplies	(549)	(330)
Prepaid items	(1,730)	6,878
Accounts payable	(158,555)	(47,735)
Other current liabilities	487,270	(215,163)
Compensated absences	(30,894)	(16,227)
Other liabilities	<u>(47,467)</u>	<u>(43,624)</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 5,124,575</u></b>	<b><u>\$ 3,741,239</u></b>

See accompanying independent auditors' report and notes.

**CITY OF LOUDON, TENNESSEE**

**SECTION THREE  
MISCELLANEOUS SUPPLEMENTARY INFORMATION**

**JUNE 30, 2015**

**CITY OF LOUDON, TENNESSEE**  
**SCHEDULE OF TRANSFERS**  
**YEAR ENDED JUNE 30, 2015**

<b><u>Transfer from</u></b>	<b><u>Amount</u></b>	<b><u>Transfer to</u></b>	<b><u>Amount</u></b>
Recreation Fund (1)	\$ 18,463	General Fund (1)	\$ 18,463
Electric Department (2)	660,000	General Fund (2)	660,000
Water and Sewer Department (2)	421,704	General Fund (2)	421,704
Gas Department (2)	324,000	General Fund (2)	324,000
Water and Sewer Department (3)	<u>239,776</u>	General Fund (3)	<u>239,776</u>
	<b><u>\$ 1,663,943</u></b>		<b><u>\$ 1,663,943</u></b>

- (1) To provide monies for fund expenditures.  
(2) Monies in lieu of taxes.  
(2) Monies for debt service



**CITY OF LOUDON, TENNESSEE**  
**SCHEDULE OF OFFICIAL BONDS OF**  
**PRINCIPAL OFFICIALS**  
**YEAR ENDED JUNE 30, 2015**

	<b><u>Bond Coverage</u></b>
<b>Mayor</b>	
Jim Greenway	\$ 1,000,000
<b>Council Members:</b>	
Jeff Harris	1,000,000
Johnny James	1,000,000
Dennis Stewart	1,000,000
Lynn Millsaps, Vice Mayor	1,000,000
<b>City Manager and Utilities Manager</b>	
Lynn Mills	1,000,000
<b>City Judge</b>	
Roger Delp	1,000,000
<b>City Recorder – Treasurer</b>	
Stephanie Putkonen	1,000,000
<b>Utilities Board of Directors</b>	
John Hutton, Chairman	1,000,000
Don P. Campbell, Vice-Chairman	1,000,000
Gene Farmer	1,000,000
Eugene Lambert	1,000,000
Johnny James	1,000,000

**CITY OF LOUDON, TENNESSEE**  
**SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE**  
**YEAR ENDED JUNE 30, 2015**

	<b>Tax Year</b>										
	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>Total</u></b>
Taxes receivable, July 1, 2014	\$ 5,330	\$ 5,845	\$ 8,404	\$ 4,071	\$ 9,785	\$ 11,593	\$ 18,155	\$ 87,230	\$3,615,511	\$ -	\$ 3,765,924
Add: Taxes to be levied – 2015	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,692,149</u>	<u>3,692,149</u>
	5,330	5,845	8,404	4,071	9,785	11,593	18,155	87,230	3,615,511	3,692,149	7,458,073
Deduct: Collections	(3,221)	(385)	(40)	(3)	(1,960)	(51,029)	(45,530)	(78,344)	(3,590,466)	-	(3,770,978)
Adjustments and Corrections	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,448</u>	<u>37,549</u>	<u>24,449</u>	<u>76,866</u>	<u>-</u>	<u>186,312</u>
<b>Taxes receivable, June 30, 2015</b>	<b><u>\$ 2,109</u></b>	<b><u>\$ 5,460</u></b>	<b><u>\$ 8,364</u></b>	<b><u>\$ 4,068</u></b>	<b><u>\$ 7,825</u></b>	<b><u>\$ 8,012</u></b>	<b><u>\$ 10,174</u></b>	<b><u>\$ 33,335</u></b>	<b><u>\$ 101,911</u></b>	<b><u>\$3,692,149</u></b>	<b><u>3,873,407</u></b>
Less allowance for Uncollectible Accounts/Appeals											<u>(1,047,173)</u>
<b>Taxes receivable, June 30, 2015 – net</b>											<b><u>\$2,826,234</u></b>

Delinquent property taxes have been turned over to the Clerk and Master as follows:

2002	\$ 2
2004	214
2005	3,547
2006	27,878
2007	228,341
2008	92,281
2009	91,494
2010	63,866
2011	51,798
2012	<u>24,677</u>
	<b><u>\$ 584,098</u></b>

**CITY OF LOUDON, TENNESSEE**  
**SCHEDULE OF INSURANCE AND BOND COVERAGE**  
**YEAR ENDED JUNE 30, 2015**

Public Officials – liability policy – TNRMT July 1, 2014 to July 1, 2015	\$ 1,000,000
General liability – TNRMT & Markel Insurance Company July 1, 2014 to July 1, 2015	\$ 1,000,000
Buildings, Contents and Substations – TNRMT July 1, 2014 to July 1, 2015	\$ 83,298,865
Boiler and Machinery – CNA Insurance Company, Policy BM1098576895, July 1, 2014 to July 1, 2015	\$ 10,000,000
Workers Compensation – TNRMT July 1, 2014 to July 1, 2015	Statutory
Auto – TNRMT July 1, 2014 to July 1, 2015	\$ 1,000,000
Public Official Bond – Stephanie Putkonen –CNA Surety, Bond 68563710, December 31, 2014 to December 31, 2015	\$ 100,000
Accident policy (Parks and Recreation) – Starnet Insurance Co. Corporation, Policy V00211448-001 April 20, 2015 to April 20, 2016	\$ 50,000
Crime coverage – TNRMT July 1, 2014 to July 1, 2015	\$ 150,000
Employee dishonesty coverage – TNRMT July 1, 2014 to July 1, 2015	\$ 150,000
Excess Liability – Markel Insurance Company July 1, 2014 to July 1, 2015	\$ 5,000,000

**CITY OF LOUDON, TENNESSEE**  
**SCHEDULE OF LONG-TERM BONDED DEBT**  
**GENERAL OBLIGATIONS**  
**JUNE 30, 2015**

	<b>General Obligation Capital Outlay Note 2014</b>		<b>Industrial Park Revenue and Tax Bonds</b>		<b>General Obligation Refunding Series 2012</b>		<b>Taxable Public Improvement Bonds Series 2000</b>		<b>General Obligation Capital Outlay Note Series 2009</b>	
<b>Year Ending June 30</b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2016	\$ 93,000	\$ 38,710	\$ 23,000	\$ 1,150	\$ 750,000	\$ 92,350	\$ 78,729	\$ 32,988	\$ 142,000	\$ 6,248
2017	103,000	35,907	-	-	775,000	77,350	84,437	27,280	-	-
2018	106,000	32,919	-	-	800,000	61,850	90,559	21,158	-	-
2019	109,000	29,844	-	-	675,000	43,600	97,124	14,594	-	-
2020	<u>112,000</u>	<u>26,684</u>	<u>-</u>	<u>-</u>	<u>400,000</u>	<u>30,100</u>	<u>104,165</u>	<u>7,552</u>	<u>-</u>	<u>-</u>
Subtotal	<u>523,000</u>	<u>164,064</u>	<u>23,000</u>	<u>1,150</u>	<u>3,400,000</u>	<u>305,250</u>	<u>455,014</u>	<u>103,572</u>	<u>142,000</u>	<u>6,248</u>
2021	115,000	23,438	-	-	400,000	20,600	-	-	-	-
2022	118,000	20,106	-	-	160,000	12,600	-	-	-	-
2023	122,000	16,674	-	-	155,000	9,400	-	-	-	-
2024	125,000	13,142	-	-	155,000	6,300	-	-	-	-
2025	<u>129,000</u>	<u>9,509</u>	<u>-</u>	<u>-</u>	<u>160,000</u>	<u>3,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>609,000</u>	<u>82,869</u>	<u>-</u>	<u>-</u>	<u>1,030,000</u>	<u>52,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2026	132,000	5,777	-	-	-	-	-	-	-	-
2027	136,000	1,945	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-	-	-
2030	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>268,000</u>	<u>7,722</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2031	-	-	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-	-	-
2033	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Totals</b>	<b><u>\$ 1,400,000</u></b>	<b><u>\$ 254,655</u></b>	<b><u>\$ 23,000</u></b>	<b><u>\$ 1,150</u></b>	<b><u>\$ 4,430,000</u></b>	<b><u>\$ 357,350</u></b>	<b><u>\$ 455,014</u></b>	<b><u>\$ 103,572</u></b>	<b><u>\$ 142,000</u></b>	<b><u>\$ 6,248</u></b>

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**SCHEDULE OF LONG-TERM BONDED DEBT**  
**GENERAL OBLIGATIONS (Continued)**  
**JUNE 30, 2015**

Year Ending June 30	GOVERNMENTAL ACTIVITIES GENERAL OBLIGATIONS TOTAL BONDS AND NOTES		WATER AND SEWER DEPARTMENT							
	Principal	Interest	Waterworks Revenue Bonds – Series 2012A		Waterworks Revenue Bonds – Series 2012B		Waterworks Revenue Refunding Bonds – Series 2012		TOTAL WATER AND SEWER BONDS	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 1,086,729	\$ 171,446	\$ 255,000	\$ 435,200	\$ 65,000	\$ 70,600	\$ 180,727	\$ 22,254	\$ 500,727	\$ 528,054
2017	962,437	140,537	265,000	425,000	65,000	69,300	186,750	18,639	516,750	512,939
2018	996,559	115,927	395,000	414,400	100,000	68,000	192,775	14,904	687,775	497,304
2019	881,124	88,038	435,000	398,600	105,000	66,000	162,654	10,506	702,654	475,106
2020	616,165	64,336	455,000	381,200	110,000	63,375	96,388	7,253	661,388	451,828
Subtotal	4,543,014	580,284	1,805,000	2,054,400	445,000	337,275	819,294	73,556	3,069,294	2,465,231
2021	515,000	44,038	465,000	363,000	115,000	60,625	96,388	4,964	676,388	428,589
2022	278,000	32,706	485,000	344,400	120,000	57,750	38,555	3,036	643,555	405,186
2023	277,000	26,074	520,000	325,000	130,000	54,750	37,350	2,265	687,350	382,015
2024	280,000	19,442	540,000	304,200	135,000	50,850	37,350	1,518	712,350	356,568
2025	289,000	12,709	695,000	282,600	175,000	46,800	38,555	771	908,555	330,171
Subtotal	1,639,000	134,969	2,705,000	1,619,200	675,000	270,775	248,198	12,554	3,628,198	1,902,529
2026	132,000	5,777	720,000	254,800	180,000	41,550	-	-	900,000	296,350
2027	136,000	1,945	750,000	226,000	190,000	36,150	-	-	940,000	262,150
2028	-	-	775,000	196,000	195,000	30,450	-	-	970,000	226,450
2029	-	-	765,000	165,000	190,000	24,600	-	-	955,000	189,600
2030	-	-	805,000	126,750	200,000	18,900	-	-	1,005,000	145,650
Subtotal	268,000	7,722	3,815,000	968,550	955,000	151,650	-	-	4,770,000	1,120,200
2031	-	-	845,000	86,500	210,000	12,900	-	-	1,055,000	99,400
2032	-	-	885,000	44,250	220,000	6,600	-	-	1,105,000	50,850
2033	-	-	-	-	-	-	-	-	-	-
Subtotal	-	-	1,730,000	130,750	430,000	19,500	-	-	2,160,000	150,250
<b>Totals</b>	<b>\$ 6,450,014</b>	<b>\$ 722,975</b>	<b>\$ 10,055,000</b>	<b>\$4,772,900</b>	<b>\$ 2,505,000</b>	<b>\$ 779,200</b>	<b>\$ 1,067,492</b>	<b>\$ 86,110</b>	<b>\$13,627,492</b>	<b>\$5,638,210</b>

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**SCHEDULE OF LONG-TERM BONDED DEBT**  
**WATER AND SEWER DEPARTMENT**  
**JUNE 30, 2015**

<b>Year Ending June 30</b>	<b>General Obligation Capital Outlay Note Series 2014</b>		<b>Tennessee Public Health Loan Program SRF 92-044</b>		<b>Tennessee Public Health Loan Program SRF 93-061</b>		<b>Interfund Capital Outlay Note</b>	
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2016	\$ -	\$ 5,720	\$ 30,786	\$ 456	\$ 50,472	\$ 2,508	\$ -	\$ -
2017	-	5,720	-	-	51,636	1,344	-	-
2018	400,000	715	-	-	30,570	1,258	-	-
2019	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-
Subtotal	<u>400,000</u>	<u>12,155</u>	<u>30,786</u>	<u>456</u>	<u>132,678</u>	<u>5,110</u>	-	-
2021	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2026	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-
2030	-	-	-	-	-	-	-	-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2031	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2036	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	-	-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Committed Funds	-	-	-	-	-	-	5,000,000	-
Less: Undrawn Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,691,568)</u>	<u>-</u>
<b>Totals</b>	<b><u>\$ 400,000</u></b>	<b><u>\$ 12,155</u></b>	<b><u>\$ 30,786</u></b>	<b><u>\$ 456</u></b>	<b><u>\$ 132,678</u></b>	<b><u>\$ 5,110</u></b>	<b><u>\$ 1,308,432</u></b>	<b><u>\$ -</u></b>

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**SCHEDULE OF LONG-TERM BONDED DEBT**  
**WATER AND SEWER DEPARTMENT (Continued)**  
**JUNE 30, 2015**

<b>Year Ending June 30</b>	<b>Tennessee Public Health Loan Program SRF 98-018</b>		<b>Tennessee Public Health Loan Program SRF 2000-143</b>		<b>Tennessee Public Health Loan Program SRF 2000-144</b>	
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2016	\$ 21,540	\$ 4,272	\$ 495,684	\$ 144,468	\$ 77,772	\$ 38,520
2017	22,176	3,636	508,476	131,676	79,776	36,516
2018	22,836	2,976	521,592	118,560	81,840	34,452
2019	23,508	2,304	535,044	105,108	83,952	32,340
2020	24,204	1,608	548,856	91,296	86,124	30,168
Subtotal	<u>114,264</u>	<u>14,796</u>	<u>2,609,652</u>	<u>591,108</u>	<u>409,464</u>	<u>171,996</u>
2021	24,924	888	563,016	77,136	88,344	27,948
2022	16,997	276	577,536	62,616	90,624	25,668
2023	-	-	592,440	47,712	92,964	23,328
2024	-	-	607,728	32,424	95,352	20,940
2025	-	-	623,400	16,752	97,812	18,480
Subtotal	<u>41,921</u>	<u>1,164</u>	<u>2,964,120</u>	<u>236,640</u>	<u>465,096</u>	<u>116,364</u>
2026	-	-	317,711	5,487	100,344	15,948
2027	-	-	-	-	102,936	13,356
2028	-	-	-	-	105,588	10,704
2029	-	-	-	-	108,312	7,980
2030	-	-	-	-	111,108	5,184
Subtotal	<u>-</u>	<u>-</u>	<u>317,711</u>	<u>5,487</u>	<u>528,288</u>	<u>53,172</u>
2031	-	-	-	-	113,964	2,328
2032	-	-	-	-	19,385	-
2033	-	-	-	-	-	-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>133,349</u>	<u>2,328</u>
Committed Funds	-	-	-	-	-	-
Less: Undrawn Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Totals</b>	<b><u>\$ 156,185</u></b>	<b><u>\$ 15,960</u></b>	<b><u>\$ 5,891,483</u></b>	<b><u>\$ 833,235</u></b>	<b><u>\$ 1,536,197</u></b>	<b><u>\$ 343,860</u></b>

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**SCHEDULE OF LONG-TERM BONDED DEBT**  
**WATER AND SEWER DEPARTMENT (Continued)**  
**JUNE 30, 2015**

Year Ending <u>June 30</u>	<u>Tennessee Public Health Loan Program SRF 94-075</u>		<u>Tennessee Public Health Loan Program DWF 2000-036</u>		<u>Tennessee Public Health Loan Program DWF 2000-030</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 122,469	\$ 4,668	\$ 349,860	\$ 85,032	\$ 41,136	\$ 9,564
2017	124,020	1,656	358,884	75,996	42,204	8,508
2018	-	-	368,136	66,744	43,284	7,416
2019	-	-	377,640	57,240	44,400	6,300
2020	-	-	387,384	47,496	45,552	5,148
Subtotal	<u>246,489</u>	<u>6,324</u>	<u>1,841,904</u>	<u>332,508</u>	<u>216,576</u>	<u>36,936</u>
2021	-	-	397,380	37,500	46,728	3,972
2022	-	-	407,628	27,252	47,928	2,772
2023	-	-	418,140	16,740	49,164	1,536
2024	-	-	428,926	5,952	33,491	480
2025	-	-	-	-	-	-
Subtotal	<u>-</u>	<u>-</u>	<u>1,652,074</u>	<u>87,444</u>	<u>177,311</u>	<u>8,760</u>
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
2034	-	-	-	-	-	-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Committed Funds	-	-	-	-	-	-
Less: Undrawn Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 246,489</u></b>	<b><u>\$ 6,324</u></b>	<b><u>\$ 3,493,978</u></b>	<b><u>\$ 419,952</u></b>	<b><u>\$ 393,887</u></b>	<b><u>\$ 45,696</u></b>

(Continued)



**CITY OF LOUDON, TENNESSEE**  
**SCHEDULE OF LONG-TERM BONDED DEBT**  
**WATER AND SEWER DEPARTMENT (Continued)**  
**JUNE 30, 2015**

<b>Year Ending June 30</b>	<b>Tennessee Public Health Loan Program 07-074</b>		<b>TOTAL WATER AND SEWER NOTES</b>	
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2016	\$ 45,348	\$ 17,448	\$ 1,235,067	\$ 312,656
2017	46,188	16,608	1,233,360	281,660
2018	47,040	15,756	1,515,298	247,877
2019	47,916	14,880	1,112,460	218,172
2020	48,804	13,992	1,140,924	189,708
Subtotal	<u>235,296</u>	<u>78,684</u>	<u>6,237,109</u>	<u>1,250,073</u>
2021	49,716	13,080	1,170,108	160,524
2022	50,640	12,156	1,191,353	130,740
2023	51,576	11,220	1,204,284	100,536
2024	52,536	10,260	1,218,033	70,056
2025	53,508	9,288	774,720	44,520
Subtotal	<u>257,976</u>	<u>56,004</u>	<u>5,558,498</u>	<u>506,376</u>
2026	54,504	8,292	472,559	29,727
2027	55,512	7,284	158,448	20,640
2028	56,544	6,252	162,132	16,956
2029	57,588	5,208	165,900	13,188
2030	58,656	4,140	169,764	9,324
Subtotal	<u>282,804</u>	<u>31,176</u>	<u>1,128,803</u>	<u>89,835</u>
2031	59,748	3,048	173,712	5,376
2032	60,852	1,944	80,237	1,944
2033	61,980	816	61,980	816
2034	10,344	-	10,344	-
Subtotal	<u>192,924</u>	<u>5,808</u>	<u>326,273</u>	<u>8,136</u>
Committed Funds	-	-	5,000,000	-
Less: Undrawn Funds	<u>-</u>	<u>-</u>	<u>(3,691,568)</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 969,000</u></b>	<b><u>\$ 171,672</u></b>	<b><u>\$ 14,559,115</u></b>	<b><u>\$ 1,854,420</u></b>

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**SCHEDULE OF UTILITY RATES IN EFFECT**  
**JUNE 30, 2015**

**Effective June 1, 2013**  
**ELECTRIC:**

**Residential**

Customer Charge	8.67
First 2,000 kWh	0.09620
Additional kWh	0.09620

**Part A: Less than 50kW**

Customer Charge	11.36
First 1,500 kWh	0.10614
Additional kWh	0.10614

**Part A: 51 – 1,000 kW**

Customer Charge	11.36
51– 1,000 kW	14.43
First 15,000 kWh	0.10888
Additional kWh	0.06261

**Part A: 1,001 – 5,000kW**

Customer Charge	11.36
0 – 1,000kW	12.99
1,001 – 5,000kW	12.96
All kWh	0.06554

**Part B Seasonal D & E Standard: 5,001 – 15,000 kW**

Customer Charge	1,500.00
All kW	22.70
First 620 kWh per kW	0.05293
Additional kWh per kW	0.05293

**Part B Seasonal D & E Manufacturing: less than 5,001 – 15,000 kW**

Customer Charges	1,500.00
All kW	19.65
First 620 kWh per kW	0.04047
Additional kWh per kW	0.04047

**Part C Seasonal D & E Standard: 15,001 – 25,000 kW**

Customer Charges	1,500.00
All kW	22.09
First 620 kWh per kW	0.04868
Additional kWh per kW	0.04868

**Part C Seasonal D & E Manufacturing: 15,001 – 25,000 kW**

Customer Charges	1,500.00
All kW	19.04
First 620 kWh per kW	0.04015
Additional kWh per kW	0.04015

**Outdoor Lighting:**

Customer Charge	10.27
All kWh per month	0.06918
Facility Charge	9.00%

Number of Customers – 11,349

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**SCHEDULE OF UTILITY RATES IN EFFECT (Continued)**  
**JUNE 30, 2015**

**NATURAL GAS RATES: Effective June 1, 2014**

Customer Charge	\$ 3.25/month
Therms used	\$ 1.16 CCF (hundred cubic feet)

Process user gas rate (over 50,000 therms) June 2014:

Usage Charges	
Within Contract Usage – Index Rate per Dth	4.7198
Within Contract Usage – Administration Rate per Dth	.0350
Over Contract Usage – Rate per Dth	6.1232

Distribution Charges

Daily Contract Demand <750 Dth per day	
Rate 1 (0-10,000 Dth)	.4000
Rate 2 (10,001-20,000 Dth)	.3500
Rate 3 (20,001-30,000 Dth)	.3500
Rate 4 (30,001 and above)	.3500

Daily Contract Demand 751 – 1,500 Dth per day	
Rate 1 (0-10,000 Dth)	.2500
Rate 2 (10,001-20,000 Dth)	.2500
Rate 3 (20,001-30,000 Dth)	.2500
Rate 4 (30,001 and above)	.2500

Daily Contract Demand > 1,500 Dth per day	
Rate 1 (0-10,000 Dth)	.1500
Rate 2 (10,001-20,000 Dth)	.1500
Rate 3 (20,001-30,000 Dth)	.1500
Rate 4 (30,001 and above)	.1500

Demand Charges – Based on Daily Contract

Demand Volume	
TGP Demand Rate per Dth	9.0081
ETNG Demand Rate per Dth	6.1232

Daily BTU Factor is used to convert CCF usage to Dth  
usage for the month

\*BTU = British Thermal Unit    \*CCF = 100 cubic feet    \*Dth = Dekatherm

Number of customers – 4,279

(Continued)

**CITY OF LOUDON, TENNESSEE**  
**SCHEDULE OF UTILITY RATES IN EFFECT (Continued)**  
**JUNE 30, 2015**

**WATER RATES: Effective January 1, 2015**

Residential, Commercial & Industrial	<u>Inside W-1</u>	<u>Outside W-3</u>
Customer charge	\$ 11.00	\$ 11.00
Customer charge – up to 7,000 gallons	2.92 per 1,000	4.38 per 1,000
Customer charge – over 7,000 gallons	4.38 per 1,000	6.57 per 1,000

Industrial customers both inside and outside the corporate limits and with estimated usage of 100,000 Gallons or more will be subject to minimum bills as follows:

<u>Meter Size</u>	<u>Minimum Bill W-2</u>
2 inch	\$ 100.00
3 inch	115.00
4 inch	140.00
5 inch	175.00
6 inch	225.00

Number of customers – 5,082

**SEWER RATES: Effective January 1, 2015**

Residential, Commercial and Industrial

	<u>Inside City</u>	<u>Outside City</u>
Customer Charge	\$ 11.00	\$ 11.00
Rate for all usage – up to 7,000 gallons	\$ 3.00	\$ 4.50
Rate for all usage – over 7,000 gallons	\$ 3.00	\$ 4.50

A minimum bill for customers with a 2" water meter or larger shall be:

<u>Meter Size</u>	<u>Minimum Bill Inside</u>	<u>Minimum Bill Outside</u>
2 inch	\$ 120.00	\$ 180.00
3 inch	140.00	210.00
4 inch	180.00	270.00
5 inch	240.00	360.00
6 inch	320.00	480.00

Number of customers – 2,221

- \*\* Effective January 1, 2015, rate increase to 11.00  
 (1) Effective January 1, 2015, rate increase to \$3.00  
 (2) Effective January 1, 2015, rate increase to \$4.50



## AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0

American Water Works Association,  
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? Click to access definition  
+ Click to add a comment

Water Audit Report for: **Loudon Utilities**Reporting Year: **2014** 7/2013 - 6/2014

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: **MILLION GALLONS (US) PER YEAR**

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

Master Meter and Supply Error Adjustments

**WATER SUPPLIED**

Volume from own sources: + ? 8 3,538.087 MG/Yr  
Water imported: + ? n/a 0.000 MG/Yr  
Water exported: + ? 10 290.519 MG/Yr

Pcnt:

Value:

Enter negative % or value for under-registration  
Enter positive % or value for over-registration

**WATER SUPPLIED:** 3,247.568 MG/Yr**AUTHORIZED CONSUMPTION**

Billed metered: + ? 6 2,749.173 MG/Yr  
Billed unmetered: + ? n/a MG/Yr  
Unbilled metered: + ? MG/Yr  
Unbilled unmetered: + ? 40.595 MG/Yr

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

**AUTHORIZED CONSUMPTION:** 2,789.768 MG/Yr

Click here: ?  
for help using option  
buttons below

Pcnt:

Value:

1.25% MG/Yr

Use buttons to select  
percentage of water supplied  
OR  
value

**WATER LOSSES (Water Supplied - Authorized Consumption)**

457.800 MG/Yr

**Apparent Losses**

Unauthorized consumption: + ? 8.119 MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies: + ? 7 27.769 MG/Yr  
Systematic data handling errors: + ? 7 6.873 MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

**Apparent Losses:** 42.761 MG/Yr

Pcnt:

Value:

0.25% MG/Yr

1.00% MG/Yr  
0.25% MG/Yr

**Real Losses (Current Annual Real Losses or CARL)**

Real Losses = Water Losses - Apparent Losses: ? 415.039 MG/Yr

**WATER LOSSES:** 457.800 MG/Yr**NON-REVENUE WATER****NON-REVENUE WATER:** ? 498.395 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

**SYSTEM DATA**

Length of mains: + ? 5 193.0 miles  
Number of active AND inactive service connections: + ? 5 5,006  
Service connection density: ? 26 conn./mile main

Are customer meters typically located at the curbside or property line?

Yes

Average length of customer service line: + ? 5 ft (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: + ? 10 60.0 psi

**COST DATA**

Total annual cost of operating water system: + ? 10 \$5,442,449 \$/Year  
Customer retail unit cost (applied to Apparent Losses): + ? 8 \$2.92 \$/1000 gallons (US)  
Variable production cost (applied to Real Losses): + ? 8 \$1,040.00 \$/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

**WATER AUDIT DATA VALIDITY SCORE:**

\*\*\* YOUR SCORE IS: 75 out of 100 \*\*\*

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

**PRIORITY AREAS FOR ATTENTION:**

Based on the information provided, audit accuracy can be improved by addressing the following components:

1: Volume from own sources

2: Billed metered

3: Unauthorized consumption



## AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0  
American Water Works Association.  
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Water Audit Report for: Loudon Utilities

Reporting Year: 2015 7/2014 - 6/2015

\*\*\* YOUR WATER AUDIT DATA VALIDITY SCORE IS: 75 out of 100 \*\*\*

### System Attributes:

Apparent Losses: 43.408 MG/Yr  
+ Real Losses: 578.561 MG/Yr  
= Water Losses: 621.970 MG/Yr

? Unavoidable Annual Real Losses (UARL): 39.56 MG/Yr

Annual cost of Apparent Losses: \$126,753

Annual cost of Real Losses: \$601,704

Valued at Variable Production Cost

Return to Reporting Worksheet to change this assumption

### Performance Indicators:

Financial:

Non-revenue water as percent by volume of Water Supplied: 19.4%

Non-revenue water as percent by cost of operating system: 14.1%

Real Losses valued at Variable Production Cost

Operational Efficiency:

Apparent Losses per service connection per day: 23.40 gallons/connection/day

Real Losses per service connection per day: N/A gallons/connection/day

Real Losses per length of main per day\*: 8,212.95 gallons/mile/day

Real Losses per service connection per day per psi pressure: N/A gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): 578.56 million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: 14.62

\* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

**CITY OF LOUDON, TENNESSEE**  
**SCHEDULE OF PRINCIPAL PROPERTY TAXPAYERS**  
**YEAR ENDED JUNE 30, 2015**

Tate and Lyle	\$ 934,655*
Kimberly-Clark	484,160
DuPont Tate and Lyle	167,906
American Honda Motor	125,595
Viskase Corporation	123,103
ASTEC Underground	87,785
Tennessee National, LLC	47,992
Monterey Mushrooms, Inc.	47,630
Buckeye Corrugated, Inc.	46,558
Malibu Boats, LLC	39,937
	<u>\$ 2,105,321</u>

\* Includes Property tax adjustments by Loudon County Assessor for years:

2011	\$ 47,448
2012	37,549
2013	<u>24,449</u>
	<u>\$ 109,446</u>

**CITY OF LOUDON, TENNESSEE**  
**SCHEDULE OF GENERAL GOVERNMENTAL REVENUES AND EXPENDITURES**  
**TEN YEARS ENDED JUNE 30, 2015**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Revenues</b>										
Taxes	\$ 6,160,172	\$ 6,078,382	\$ 5,649,735	\$ 6,150,333	\$ 6,511,633	\$ 6,256,530	\$ 6,299,377	\$ 5,729,457	\$ 5,034,936	\$ 4,581,149
License and permits	61,163	36,036	64,024	28,345	37,547	53,953	38,034	37,569	84,461	53,976
Intergovernmental revenue	1,612,775	1,471,879	1,427,648	956,803	1,343,847	1,500,323	1,494,539	995,787	529,886	490,156
Charges for services	117,771	220,353	141,588	95,091	118,665	33,423	104,210	158,269	383,796	369,238
Fines and court costs	29,886	38,905	48,342	49,624	76,182	147,607	113,393	138,730	132,800	122,486
Interest	7,923	7,173	11,453	11,897	6,282	8,407	16,762	49,724	60,478	49,744
Sale of land and buildings	-	-	418,278	-	240,750	750	86,374	372,164	554,125	188,950
Other	<u>568,625</u>	<u>177,559</u>	<u>6,006,957</u>	<u>564,705</u>	<u>165,635</u>	<u>81,100</u>	<u>813,135</u>	<u>345,491</u>	<u>479,864</u>	<u>504,850</u>
<b>Total Revenues</b>	<b><u>\$ 8,558,315</u></b>	<b><u>\$ 8,030,287</u></b>	<b><u>\$ 13,768,025</u></b>	<b><u>\$ 7,856,798</u></b>	<b><u>\$ 8,500,541</u></b>	<b><u>\$ 8,082,093</u></b>	<b><u>\$ 8,965,824</u></b>	<b><u>\$ 7,827,191</u></b>	<b><u>\$ 7,260,346</u></b>	<b><u>\$ 6,360,549</u></b>
<b>Expenditures</b>										
General governmental	\$ 636,681	\$ 660,289	\$ 662,394	\$ 625,494	\$ 902,401	\$ 1,360,474	\$ 884,165	\$ 718,936	\$ 721,754	\$ 743,214
Public safety	3,092,908	3,297,829	2,941,185	2,965,711	3,683,491	3,067,738	2,875,467	2,913,909	2,666,459	2,899,667
Highways and streets	1,041,367	1,098,408	1,219,922	1,015,194	910,055	935,508	804,567	818,733	741,597	680,123
Sanitation	420,502	439,056	675,655	459,058	413,195	393,592	355,503	369,087	382,775	421,549
Health and recreation	2,131,317	810,283	912,501	825,097	835,135	794,083	733,122	711,799	941,952	861,860
Debt service	1,148,431	1,175,718	6,449,899	849,776	823,911	906,924	992,462	1,474,721	1,121,117	907,210
Economic development	16,643	32,765	36,765	31,197	37,108	31,847	-	-	-	-
Equipment reserve	-	-	56,702	-	250,000	12,075	-	-	-	-
Personnel reserve	23,388	45,313	30,110	6,930	37,566	41,867	6,067	40,116	26,776	56,578
Housing rehabilitation	-	-	-	-	-	-	-	-	-	34,509
Construction and related expenditures	483,329	590,255	333,428	875,281	92,199	65,583	39,273	30,511	2,096,813	1,032,961
Miscellaneous	<u>62,223</u>	<u>7,810</u>	<u>37,951</u>	<u>32,413</u>	<u>50,299</u>	<u>587,809</u>	<u>816,228</u>	<u>123,553</u>	<u>92,180</u>	<u>54,588</u>
<b>Total Expenditures</b>	<b><u>\$ 9,056,789</u></b>	<b><u>\$ 8,157,726</u></b>	<b><u>\$ 13,356,512</u></b>	<b><u>\$ 7,686,151</u></b>	<b><u>\$8,035,360</u></b>	<b><u>\$8,197,500</u></b>	<b><u>\$ 7,506,854</u></b>	<b><u>\$ 7,201,365</u></b>	<b><u>\$ 8,791,423</u></b>	<b><u>\$ 7,692,259</u></b>



**CITY OF LOUDON, TENNESSEE**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

June 30, 2015



Joe S. Ingram, CPA (1948 – 2011)  
Lonas D. Overholt, CPA  
Robert L. Bean, CPA

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865-982-1665

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Mayor,  
City Council and City Manager  
City of Loudon  
Loudon, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Loudon, Tennessee, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Loudon, Tennessee's basic financial statements, and have issued our report thereon dated February 26, 2016.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Loudon, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Loudon, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Loudon, Tennessee's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material deficiencies, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Loudon, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect

on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Ingram, Overholt & Bean, PC*

Alcoa, Tennessee

February 26, 2016

**CITY OF LOUDON, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Fiscal Year Ended June 30, 2015**

**A. SUMMARY OF AUDIT RESULTS**

None

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

None